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Daily Report

Annex

East Asia

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Friday
4 January 1991

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East Asia ANNEX

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ANNEX

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Cambodia

'Source' Says Chea Sim 'Incapacitated' by Stroke

OW0301073691 Tokyo YOMIURI SHIMBUN
in Japanese 1 Jan 90 Morning Edition p 7—FOR
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[By Toshiro Ikemura]

[Text] Paris, 31 Dec—According to a disclosure made by a reliable Cambodian source in Paris on 31 December, National Assembly Speaker Chea Sim, who has become an increasingly stronger voice in the leadership of the Heng Samrin regime (the current Phnom Penh government) as a hardliner communist, has been incapacitated due to a stroke [no kosoku].

This reportedly necessitates a reshuffle in the leadership. It is said that Council of Ministers Chairman Hun Sen will likely be installed as the National Assembly speaker and that Foreign Minister Hor Namhong will likely be promoted to chairman of the Council of Ministers.

Japan

Foreign Minister Nakayama on Increasing Gulf Aid

OW3112130790 Tokyo THE JAPAN TIMES in English
30 Dec 90 p 3—FOR OFFICIAL USE ONLY

[Article by Takashi Kitazume, staff writer: "Nakayama Eyes Increased Gulf Aid"]

[Text] Taro Nakayama, appointed to a third term as foreign minister in the cabinet reshuffle, indicated Saturday that if war breaks out in the Middle East, Japan may provide more financial assistance to the multinational military force deployed in the region.

In an interview with THE JAPAN TIMES after his reappointment, Nakayama said that if more money is requested, the government will take into account the situation in the Persian Gulf, the impact the crisis has on the international community and Japan's ties with nations in the region. So far there has been no request for more aid, he said.

The government is still disbursing \$4 billion in assistance, \$2 billion of which goes to Gulf nations economically affected by the crisis.

Nakayama said Japan will do its utmost to bring about a peaceful resolution of the Gulf crisis and that the government is ready to hold diplomatic talks with Iraq to persuade it to withdraw from Kuwait before the Jan. 15 deadline set by the U.N. Security Council. The government will try to work out a way to make other than financial contributions to restoring peace in the Gulf, despite the failure of the United Nations Peace Cooperation Bill, he said. The bill, which would have allowed the dispatch of Self-Defense Force personnel to the Gulf, was scrapped by the Diet in early November.

After the bill failed, the LDP and two centrist opposition parties reached some agreement on the issue and the government awaits further discussion among the three parties, Nakayama said. As a nation benefiting from free trade, Japan hopes for a successful conclusion to the multilateral trade talks as soon as possible, he said. At the same time, because Japan is an island nation heavily dependent on food imports, it must maintain security by preserving self-sufficiency in such basic foodstuffs as rice, Nakayama maintained. Japan is a large importer of farm products and has already contributed greatly to international farm trade, he said.

Nakayama was not optimistic that a final agreement will be reached on agricultural trade at the GATT talks, pointing out that no progress has been made since a GATT ministerial session was adjourned earlier this month. Because the matter has become a global political issue, it is unclear how far the GATT member countries will change their positions before working-level discussions are resumed in mid-January, Nakayama noted. He said he hopes to set a new date for a postponed meeting with the foreign minister of the Soviet Union to prepare for President Mikhail Gorbachev's visit to Japan. He said the meeting could come as soon as the end of January. Topics to be covered will include the territorial dispute over the four Soviet-held islands off Hokkaido.

Nakayama said he will accompany Prime Minister Toshiki Kaifu when he visits South Korea when he visited South Korea Jan. 9 and 10 and may meet with his Seoul counterpart, Yi Sang-ok. He said Japan will continue to seek peace and stability on the Korean peninsula when negotiating normalization of ties with North Korea. The talks are to start in late January. Nakayama said the government would like to normalize ties with North Korea as early as possible but problems remain to be resolved.

Tokyo Denies Role in Nakasone Proposal to Iraq

OW0401133291 Tokyo JIJ in English 1259 GMT
4 Jan 91—FOR OFFICIAL USE ONLY

[Text] Tokyo, Jan. 4 (JIJ PRESS)—The Government has nothing to do with the proposal that former Prime Minister Yasuhiro Nakasone has reportedly made to Iraq in a bid to defuse the Persian Gulf crisis, Foreign Ministry spokesman Taizo Watanabe said Friday. The proposal is Nakasone's personal overture, Watanabe stressed.

The Japanese Government is anxious to see a peaceful settlement of the crisis, but that does not mean Tokyo could compromise over its position that the crisis must be solved through full implementation of UN resolutions against Iraq's invasion of Kuwait, Watanabe said.

Bunsei Sato, a former House of Representatives member, told reporters in Amman Thursday that he conveyed Nakasone's proposal to Iraqi First Deputy Prime Minister Taha Yasin Ramadan Sunday. Sato also said he was told by Iraqi Foreign Minister Tariq Aziz

that Iraqi President Saddam Husayn thoroughly read the proposal and is grateful for Nakasone's efforts.

In an article contributed to the YOMIURI, a major vernacular daily, Nakasone discussed his peace plan on the Persian Gulf crisis calling for, among other things, designating the sea area adjoining the occupied Kuwaiti islands of Bubiyan and Warba as international straits in exchange for Iraq's immediate withdrawal from Kuwait.

Medical Teams Return From Saudi Arabia

OW3112113590 Tokyo THE DAILY YOMIURI
in English 30 Dec 90 p 2—FOR OFFICIAL USE
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[Text] The mercy mission of Japanese medical teams sent to Saudi Arabia in the wake of Iraq's invasion of Kuwait is over before it even began. Nearly all medical personnel sent as part of Japan's contribution to the international peace-keeping effort have now returned home, it was reported Friday.

They have been in the Gulf since August. Originally the Japanese Government had intended to send about 100 doctors and nurses over, but only 17 volunteers could be found for the first team and nine for the second. Their mission was hampered from the start by confusion over their role and restrictions on their activity.

The government failed to clarify whether the teams' brief mission was primarily to provide medical assistance to multinational forces deployed in the Middle East or to help Asian refugees stranded along the Iraq-Jordan border.

To make matters worse, Tokyo insisted that the medical volunteers' period of service in Saudi Arabia did not exceed one or two months, and requested Saudi Arabia not to send them to the front line if hostilities broke out. Saudi Arabia wanted them to stay as long as necessary and travel wherever needed. As a result, the Japanese volunteers on the spot found themselves with little better to do than give occasional lectures to local medical experts.

On Friday, the last three Japanese medical team members left Saudi Arabia after expiry of their contracts, leaving only government appointed team leader Takashi Matsumoto and another official of the Foreign Ministry behind to maintain a skeleton presence.

With the Jan. 15 deadline set by the U.N. Security Council for Iraq's unconditional withdrawal from Kuwait looming, strong concern is now being voiced over the absence of Japanese medical staff in Saudi Arabia when the likelihood of war has become greater. Not that the Foreign Ministry is unduly concerned.

"We have had enormous difficulty in getting medical experts to volunteer to go to Saudi Arabia, and the few that do go find there is nothing significant for them to do there at the moment," said a ministry spokesman. "Although we have decided to pull out all volunteers for

the time being, we are keeping our team leader there in case of emergency, he added.

Not much has gone right for Japan in its efforts to help resolve the Gulf crisis. When it donated a fleet of brand-new ambulances to Saudi Arabia they could not be used because their steering wheels were on the wrong side.

MITI Head Plans Visit to U.S. for Rice Talks

OW3112182190 Tokyo MAINICHI SHIMBUN
in Japanese 31 Dec 90 Morning Edition p 3—FOR
OFFICIAL USE ONLY

[Text] Eiichi Nakao, new minister of international trade and industry, speaking during an interview with MAINICHI SHIMBUN on 30 December, revealed his intention to visit the United States in January, at the earliest, to seek the U.S. Government's understanding of the rice liberalization issue. The rice issue is a focal point at the new multilateral trade negotiations (Uruguay Round).

In the interview, MITI [Ministry of International Trade and Industry] Minister Nakao noted that the opening of the Japanese rice market would not make any significant contribution to improving the Japan-U.S. trade imbalance. He indicated the view that Japan's insufficient efforts and explanations were partly responsible for the U.S. side's strong call for the opening of the Japanese rice market. He said: "It is doubtful that the United States has a full understanding of the historical and traditional meaning of rice to Japan." The minister then said: "I would like to visit the United States and meet with leaders as soon as possible. I will do my best during the visit."

In connection with the rice liberalization issue, a minimum access (minimum imports) concept was introduced at the new round of ministerial talks held in early December as a tentative plan proposed by the chairman of the Subcommittee on Agricultural Issues. However, he again stressed that, at the present stage, he has no intention of accepting the tentative plan, saying: "There is a Diet resolution (on self-sufficiency for rice), and this is no time to argue about minimum access or things like that."

However, Minister Nakao noted the likelihood that Japan will be subject to international criticism if it carries through its position against rice imports. He said: "I have no intention of persisting stubbornly in my ego." He thus hinted that there is room for concessions.

Foreign Ministry Responds to Gorbachev's Remarks

OW0401114591 Tokyo ASAHI SHIMBUN in Japanese
30 Dec 90 Morning Edition p 2—FOR OFFICIAL USE
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[Text] Soviet President Gorbachev, in an interview with ASAHI SHIMBUN President Nakae and others, indicated a positive stance regarding improvement of ties with Japan, including the northern territories issue. In this connection, (a top executive) of the Foreign Ministry

expressed a strong interest and said: "We can note a willingness of the Soviet side to improve ties with Japan. With President Gorbachev's visit to Japan, slated for next spring, as a turning-point, we would like to place our hopes on the dynamic improvement of Japanese-USSR ties." Thus, the Foreign Ministry is paying attention to future moves of the Soviet side.

Lately, uncertainty has been growing in Japanese-USSR relations in the wake of Foreign Minister Shevardnadze's announcement to retire and the subsequent postponement of Foreign Minister Nakayama's visit to the Soviet Union. Thus, the Foreign Ministry welcomes the fact that President Gorbachev, touching on his visit to Japan scheduled for mid-April, said that "we reconfirm our common agreement." Moreover, regarding the background of his remark, (the top executive) said that "it is an indication of a fundamental Soviet view that the postponement of Foreign Minister Nakayama's trip to the Soviet Union and the current political confusion in the Soviet Union do not affect the framework of Japanese-Soviet negotiations."

On the northern territorial issue, which is the greatest pending problem, however, the president merely repeated a principle theory explained so far. The Foreign Ministry holds that "there is an indication that the president, because of many domestic problems, currently is wavering in his judgment as to what kind of fundamental policy he should take toward Japan at this time," (according to the top executive).

Regarding the remarks that "the time has arrived for us to aim at signing a peace treaty while solving all problems by making mutual concessions," in particular, the Foreign Ministry understands that "it is an indication of the president's positive stance. We may be able to expect qualitative changes in the territorial issue at this opportune time of his visit to Japan."

On the other hand, Foreign Minister Shevardnadze, at the recent session of the Congress of People's Deputies, announced his resignation. Mr. Yanayev, supported by conservative factions, was elected as vice president. Thus, there is a rumor that the military and conservative factions are gaining strength. In this connection, the president stressed no changes in his perestroika line and stated that "I think we can overcome this difficulty while maintaining dignity." (According to the European and Oceanic Affairs Bureau Chief Kondo), the Foreign Ministry also analyzes: "It may not be necessary to be too serious and to worry about the rise of the conservative factions and others. The president's remarks sound like he has confidence in his ability to deal with domestic politics."

Moreover, the president explained his positive stance on holding all Asian summit talks and stated that he would "change this region, which has already been militarized, to a stable, good-neighborly, and cooperative region." In this connection, the Foreign Ministry thinks that "it indicates the fact that the issue of security in Europe has

been settled and the interest of the Soviet Union is shifting to the Asian-Pacific region," (according to Bureau Chief Kondo). Thus, the ministry is pinning its hopes on the spread of the new thinking diplomacy of the Soviet Union.

Strategy Toward 'Embattled' Soviet Leader Viewed

OW2812111890 Tokyo THE DAILY YOMIURI
in English 27 Dec 90 p 3—FOR OFFICIAL USE
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["Behind the Scenes" column by Minoru Hirano: "The Shevardnadze Shock"]

[Text] The abrupt departure of Soviet Foreign Minister Eduard Shevardnadze threatens Japan's territorial negotiations with Moscow, but the government is quickly taking steps to ensure that previous gains will not be lost.

To prevent total collapse of the talks, Foreign Ministry spokesman Taizo Watanabe hurriedly issued a statement asking Soviet President Mikhail Gorbachev to keep his word to come to Japan next April. Watanabe expressed the hope that Moscow would maintain its policy of perestroika, promote its new-thinking diplomacy and improve relations with Tokyo.

Since Gorbachev came to power in 1985, Japan-Soviet relations have changed for the better. Shevardnadze, succeeding hard-liner Andrey Gromyko, visited Japan in January 1986 to resume the regular Japan-Soviet foreign ministerial conferences suspended in 1978. Since then, Shevardnadze has conducted difficult territorial negotiations with five successive Japanese foreign ministers. His flexibility and nonideological style, which greatly differed from those of his predecessor, eased the negotiations. After long and arduous efforts on both sides, the negotiations have reached the final phase.

If Shevardnadze cannot be persuaded to reverse his decision, Japan, like other Western countries, must be concerned that his decision may strengthen the hand of Soviet conservatives, particularly in the military, and may lead to a return to Gromyko-style hard-line diplomacy.

At a press conference in Tokyo last September, Shevardnadze hinted at the possibility of withdrawing Soviet troops from the northern islands. He alluded to the Helsinki Accord of August 1975 in indicating that the territorial problem could be settled by negotiating a change of the present borders.

Top Soviet military figures have accused Shevardnadze of undermining the country's security. On Dec. 5, Soviet Defense Minister Dmitriy Yazov stated his strong opposition to the return of the four islands to Japan. The military fears the return could expose submarine-based Soviet missiles in the Sea of Okhotsk vital to Moscow's nuclear retaliatory capacity.

A tougher problem facing the Foreign Ministry is to decide how far Japan should go in helping out Gorbachev. Until recently, the ministry has shared former British Prime Minister Margaret Thatcher's view that Gorbachev is a man to do business with. It was also convinced that the future of the Soviet Union depends upon Gorbachev's statesmanship, thoughtfulness, insight and balance of prudence and boldness. But it must now carefully analyze Shevardnadze's warning that dictatorship is coming. It should refer to the controversial essay: "To the Stalin Mausoleum" in which a critic, pen-named "Z," discussed whether Gorbachev is worth helping.

Among economic powers, Japan has been the coldest and most cautious toward Gorbachev, who is intent on reforming the Soviet economy. Despite Gorbachev's serious domestic problems, the Foreign Ministry has stuck to the position that Japan should not help the Soviet Union economically as long as it continued to hold the four northern islands claimed by Japan. The New York Times, criticizing Japan's stance, said: "That could look like a bribe. Even if Tokyo does not see it that way, conditioning aid on Soviet concessions makes Moscow lose face."

The ministry now must decide whether to maintain its present policy or soften its stand and drop the demand that reversion come first. As Gorbachev faces his most crucial test at home, the government will also come under the gun on its strategy toward the embattled Soviet leader.

'Two-Step Formula' Adopted on Territories Issue

OW0201112291 Tokyo YOMIURI SHIMBUN
in Japanese 1 Jan 91 Morning Edition p 1—FOR
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[Text] The government has decided to adopt a two-step formula in dealing with the northern territories question, which is the most important pending issue between Japan and the Soviet Union. The two-step formula means that the Government will stop demanding the "immediate return of the four islands together" and will seek to have two islands—Habomai and Shikotan—returned, and then negotiate to have the other two—Kunashiri and Etorofu—returned at an early date. This was revealed by several government sources on 31 December. The aim of this shift in policy is to look for a solution acceptable to the Gorbachev Government, as well as the Japanese Government, while not making a concession on the basic stance that the four islands are the territory of Japan.

The government will present this formula at the Japanese-Soviet foreign ministers' talks planned for late January. The Government will present this, along with proposals on economic cooperation, to the Soviet Union, including financial assistance, and a proposal about security of the Asian and Pacific region. The Japanese Government believes that the revelation of such a flexible position should be very effective in

bringing a breakthrough when it negotiates the question with President Gorbachev when he visits Japan in April.

The reason the Japanese Government has decided to shift from demanding "the return of the four islands together" to a two-step formula is because it has judged that it would be impossible for the Soviet Union to accept the demand for the return of the four islands together. The judgement comes from the fact that the Soviet leadership is concerned lest the territorial question has an adverse impact on the overall Soviet ethnic questions, thus becoming a target of criticism from the conservatives.

As far as the return of the two islands, Habomai and Shikotan, is concerned, this was agreed to in the Japanese-Soviet Joint Declaration (of 1956). It would be relatively easy for the Soviet Government to obtain the understanding of the nation on their return and to restrain those objecting to it, saying that this is "an obligation which needs to be fulfilled under international law." In view of this situation, the government will have the return of the two islands implemented first.

But, according to a top Foreign Ministry official, the government will stand by the position that "the return of the two, Kunashiro and Etorofu, is the essence of the territorial question." When the government comes to discuss the return of the two islands of Kunashiri and Etorofu, it will reiterate that it cannot accept any compromise offers to shelve the territorial rights question or to leave unclear Japan's territorial rights over them, like those offered by Soviet specialists on Japanese affairs. These specialists suggested that the two islands be put under "joint control" or "joint government." The government will stick to this line in demanding that the Soviet Union accept Japan's sovereignty over the islands of Kunashiri and Etorofu. Additionally, in order to prevent the settlement of the question from being put off indefinitely, the government will demand that the Soviet Government agree to a certain deadline, so that the question may be resolved before the end of this century.

Furthermore, in view of the fact that the Soviet Union, in return for any concessions on the territorial question to Japan, is very interested in Japanese cooperative measures on economic aid and security in the Asian and Pacific region, the government has decided to present a comprehensive economic plan, together with the two-step formula on the return of the islands.

There are now three months left until the visit of the Soviet president. The Soviet Government has so far stuck to the official position of viewing "the territorial issue as having been settled," and, as a result, the Japanese Government has not been able to make an active move for economic cooperation with the Soviet Union. Thus, the Japanese-Soviet negotiations have been deadlocked on the most focal issue.

Meanwhile, with the announcement of the resignation of Foreign Minister Eduard Shevardnadze, a confidant of President Gorbachev, and with the confusion in the

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election of Yanayev as vice president, the future of the Soviet political situation is getting increasingly murky.

The Japanese Government previously thought that the best time to get the territorial issue resolved was while Gorbachev was still in power. It is now believed that it would not be wise to stick by the principle of "not separating politics from economics" in demanding the "immediate return of the four islands together." The government now thinks that such a policy would only irritate the Soviet conservatives, and thus could drive the Gorbachev Government, which is seeking to improve relations with Japan, into a difficult position instead.

The government, based on such a judgement, has come to conclude that the best possible strategy acceptable to both sides is to make the new proposal regarding the territorial question and to lump with it proposals on economic cooperation and for improved security relations in the Asian and Pacific region.

'Step-by-Step' Approach Toward Soviets Favored

OW2612115290 Tokyo THE JAPAN ECONOMIC JOURNAL in English 5 Jan 91 p 3—FOR OFFICIAL USE ONLY

[Text] Most Japanese people favor a step-by-step approach to solving a territorial dispute with the Soviet Union, although they still believe all four Soviet-held islands should be returned at the same time according to a recent public opinion survey by NIHON KEIZAI SHIMBUN Inc.

The survey also showed that public support for the cabinet of Prime Minister Toshiki Kaifu has slipped to its lowest point. The poll was conducted through telephone interviews of 10,000 randomly selected eligible voters between Dec. 7 and Dec. 10.

More than 55% of the respondents said the so-called Northern Territories issue should be addressed one step at a time, starting with discussion of possible solutions. More than 70% were in favor of the early improvement of relations with Japan's northern neighbor; 56.2% agreed with the statement that the territorial issue and the improvement of relations, which would include increased economic cooperation, should be tied, while 17.5% said improving relations should have priority over the territorial issue.

Pollees who said Soviet President Mikhail Gorbachev was reliable accounted for 56.4%, against 20.3% who found him unreliable. Concerning his scheduled visit to Japan next year, 14.8% expected "major progress" on the territorial issue, while 57.6% said there would be "some progress," compared with 18.3% who foresaw "little progress."

The Kaifu cabinet's support slipped to a low of 43.4%, down 2.7 points from the survey taken in October when the figure declined for the first times since Kaifu took

office in July 1989. The cabinet's popularity hit a high of 51.7% in the June survey, but fell 5.6 points in October. Those who disapproved of the cabinet stood at 30.1%, down 0.6 of a point from October.

Kaifu's popularity has apparently suffered because of the way his government handled the failed bill that would have enabled the government to dispatch personnel overseas for participation in United Nations peace-keeping efforts, as well as a perceived lack of leadership in the recent dispute over when a cabinet reshuffling should take place.

Support for the ruling Liberal Democratic Party inched up 0.4 of a point to 50.1%, while that for the Japan Socialist Party, the No.1 opposition group, went up 1.9 points to 23%, reversing its steady decline in the last several surveys.

The approval rating for the Komei Party remained unchanged at 3%, while that for the Japan Communist Party declined 0.2 of a point to 2.2%. The Democratic Socialist Party won support from 2.5% of the respondents, up 0.2 of a point.

JCP Chairman Views Problems in Soviet Society

OW0401104091 Tokyo JPS in English 0909 GMT 4 Jan 91—FOR OFFICIAL USE ONLY

[Text] Tokyo Jan 4 JPS—AKAHATA on January 1 carried an interview with Kenji Miyamoto, chairman of the Central Committee of the Japanese Communist Party [JCP]. In the interview, Miyamoto made clear views on the situation in the Soviet Union, the present communist movements in the world, the Iraq question and Japan's position, the situation in Cambodia, moves to restore diplomatic relations between Japan and North Korea, the political situation and mass movements in Japan, the deeper contradictions of capitalism, the Japan-Soviet territorial question, and other issues.

On the present situation in the Soviet Union, Miyamoto said:

It has been said that the Soviet problem is an economic one. But judging from the Congress of People's Deputies last December, the problem cannot be understood only on this basis. In the Congress of People's Deputies, General Secretary Gorbachev said that he had underestimated the crisis in the country. He said that although the crisis in the past Soviet system had deepened, he has made some big errors since he took office 6 years ago. This is an important remark by him as the person concerned. He also said that the economic problem is not limited only to the food crisis in food.

Pointing to the disorder, lack of control, no consideration shown for the people, severance of economic relations between republics, ruin of normal relations between urban and rural areas, and other fundamental problems, he said that this is not because of scarcity of goods but it is a lack of control.

Foreign Minister Shevardnadze suddenly expressed his intention to resign in this context. There are various commentaries on his resignation. Briefly speaking, it is a demonstration of the collapse of the policy of "new thinking." But why do these events continue? It is because the Soviet leadership, and General Secretary Gorbachev are directly responsible for not making clear the problem from the standpoint of scientific socialism. As a result, no fundamental perspectives have been presented.

It is true that "perestroika" includes such positive aspects as glasnost, overcoming the conventional bureaucracy, and examining the purges by Stalin. The fundamental point is that they are not making a sincere analysis to open up a perspective based on scientific socialism but they are dealing with the position in an expedient pragmatic way. This is the objective background of Gorbachev's remarks at the Congress of People's Deputies.

We are often asked why the JCP does not support "perestroika." It is necessary to understand the above mentioned major characteristics of "perestroika." We are not opposed to disarmament and glasnost. They are naturally good. We have repeatedly said that the disarmament is good no matter what the motive. But the present situation shows that Soviet society cannot be reconstructed by such pragmatic methods.

Then what was the position of the Japanese Communist Party? The party has been one of the most thorough critics of the Soviet Union particularly its hegemonism. The current JCP program was established 30 years ago. Looking over JCP activities since then, when I was one of the members of the party leadership, we can see that the JCP has made severe criticism of Soviet aggression in Czechoslovakia, Afghanistan, and intervention in Poland. On these issues, I sent letters once and again to Brezhnev and other Soviet leaders. The JCP held talks with the CPSU in Tokyo on the Afghanistan question, and denounced their hegemonism and great-power chauvinism. But the present Soviet leaders also do not stand on the position of scientific socialism, and although they have made changes such adjustments as withdrawing their troops from Afghanistan and reviewing their policy arising from the situation in Eastern Europe to refrain from virtual interference in other countries such as Brezhnev did, they still cannot make the basic points clear.

If policies laid out are scientific, they would have reason and grounds enough to persuade the people. But as their policies lack a scientific basis, unprincipled and random arguments are being made constantly. The Soviet leaders are now unable to put forward a clear-cut, scientific, and unified policy in the face of criticism by the conservatives who say, "We have lost the allied nations in Eastern Europe," and "It is inexcusable to reduce our military forces." Here lies the root of concern and discontent taking the two forms: The conservatives may establish an autocracy and the anxiety of President Gorbachev of

being unable to cope with their attacks in a serious and united way, as reflected in Foreign Minister Shevardnadze's intention to resign.

Shevardnadze, whom I have met, is a serious person and seems to have an inquiring mind, but he is one of those who cannot overcome the fundamental defects that we have repeatedly pointed out in our criticism of the "new thinking." Therefore, even though he values the JCP-CPSU joint statement on the elimination of nuclear weapons, he cannot gain the confidence and adopt a perspective to realize such an aim through the power of the people and world opinion. As a consequence, as the JCP has pointed out repeatedly, by taking a position to bring about disarmament and detente to the point where they cooperate with the United States, they do not take a stand on the basic view of changing the world by the people's will in each country. This means that contradictions will arise endlessly one after another, no matter how hard they may try to settle problems one by one. They are unable to unify the people in each section of society on basic principle, or indicate what the real objects and dangers are in Soviet society. This is the root of the problem. The reason why the Western countries wish for the Gorbachev regime to continue is that they know that his policies favor imperialism.

(On the trend of so-called conservative group)

Let's think over the trend of those who are so-called the conservative group. When Germany was reunified, they said that it was unwise that the East Germany had been included in the area of NATO. Of course it is a sort of just argument. On the ethnic question, they said that some allegations were extremely nationalistic from the position of the common interests of the Soviet Union, and urged further drastic measures against such groups.

Although what they said contains some truth, there is no consideration of the serious failures of Soviet society and the errors of great power chauvinism and hegemonism made by the Soviet leadership following Lenin's death, nor any self-criticism on these problems. As for the Afghanistan question, they view it simply as the loss of national interest. On Czechoslovakia and other questions, far from being self-critical, they even argue today the need to do similar things as done in the past like the interventions in the Eastern European countries. So they cannot arrive at any conclusions and prospects from the viewpoint of scientific socialism, beyond their arguments on "perestroika." This is similar to the trend of the so-called radical reformist group. They are not making progress along a fundamentally radical line, but taking radical moves towards capitalism. I hear that a group consisting of 19 social democrats is now registered in the Congress of People's Deputies.

Therefore, disappointingly there exists no force that can solve the present Soviet problems scientifically. We don't expect the Soviet's to fail, but hope it will recover and solve the present economic crisis. However, the roots of the problem run very deep. Moreover, the

number of communist parties in the world which frankly point out the seriousness of Soviet errors is small. Such a position has prolonged the present Soviet situation.

Briefly on economic problem, they have no knowledge of capitalist society because of their ages. Surprisingly they almost lack knowledge about the "open secret" of capitalism—the laws and substance of capitalism exposed by scientific socialism. Some people among the Soviet leadership believe that Japan is a model for a socialist society. Many people are advocating the absurd view that a market economy should be allowed to take full effect. Such opinions are spreading not only among a few flurried people but in the leadership as well. These people include those who are members of a mission for an economic survey and others who are generally cheering capitalism.

Article Urges New Approach to Soviet Relations

OW3012025590 Tokyo THE JAPAN TIMES in English
29 Dec 90 p 3—FOR OFFICIAL USE ONLY

[Article by Takashi Kitazume, staff writer: "A New Approach to USSR Is Urged; Improved Relations Said To Be Hampered by Territorial Row"]

[Text] The domestic political problems facing Soviet President Mikhail Gorbachev, as underscored by the announced resignation of his right-hand man, Foreign Minister Eduard Shevardnadze, will probably press Tokyo to reassess its Moscow policy of keeping economic cooperation and politics inseparable.

While it remains unclear whether a solution can be found to the territorial dispute over four Soviet-occupied islands off Hokkaido—the leading bone of contention in postwar bilateral relations—some Japanese observers say the government should be more flexible on economic assistance to Moscow to support Gorbachev and his reform efforts.

During the past year, the international situation surrounding the two countries has dramatically changed, due chiefly to Gorbachev's so-called new thinking foreign policy that has served to heal Europe's postwar division.

The East-West confrontation, which centered on the military standoff between the United States and the Soviet Union during the Cold War, has evolved into a global wave of detente symbolized by Germany's reunification in October. The two superpowers are now even cooperating to cope with threats to world security, such as the Persian Gulf crisis.

Improved Atmosphere

The mood of Japanese-Soviet relations has also improved. The familiar reference to the Soviet military as a "potential threat," often cited as the reason for a buildup of Japanese defense capabilities, was missing in the fiscal 1990 Defense White Paper.

At their last meeting in September, foreign ministers of the two nations agreed that a major breakthrough should be achieved in bilateral ties when Gorbachev visits Japan next April. But while the words used to describe each other may have changed, there has so far been no substantial progress on the territorial dispute. But Moscow's agreement to discuss the matter reflects a marked shift from its earlier stance that no such dispute exists between the two countries.

At the latest round of working-group meetings to discuss the conclusion of a bilateral peace treaty, the two governments failed to narrow the gap over the legal and historical grounds for each other's claim to the islands, according to Foreign Ministry officials.

Anatoliy Ivanovich Lukyanov, the Supreme Soviet chairman who visited in November to attend the Emperor's Enthronement Ceremony, said in a meeting with Prime Minister Toshiki Kaifu that the two nations should not focus attention on the territorial row alone, but should try first to work out a better atmosphere in overall relations. Kaifu replied that the territorial dispute must be settled before stable bilateral ties are established and expanded. He also expressed hope that Gorbachev will make a "courageous decision" to solve the problem.

Soviet Ambassador Lyudvig A. Chizhov, speaking at a recent luncheon in Tokyo, said it is impossible to solve the dispute at once by using a simple formula. A majority of Soviets are opposed to the idea of returning the four islands, he says.

Mixed Feelings

Soviet affairs experts harbor mixed perceptions over what concessions Gorbachev will bring when he comes to Tokyo next spring. Fumio Uda, professor of Russian Studies at Sophia University, doubts the president will have the authority to return the islands to Japan because of recent changes in the Soviet political system. "In the past, a decision at the top level of the Kremlin meant everything. Under today's democratization process, the president has to consult the public. And they are not likely to endorse a plan to return any part of the nation's territory," he says.

The issue is complicated by the rising power of opposition forces, as well as the dispute over the relationship between the central government in Moscow and republics within the Soviet federation, particularly the Russian Republic, to which the disputed islands belong, Uda says.

It has often been stated that Gorbachev, who has had to resist demands from Baltic republics for independence from Moscow, will find it difficult to give up any part of Soviet territory to a foreign country. The Declaration of Sovereignty of the Russian Republic reportedly stipulates that any change in its territory must be authorized through a referendum by the people.

A recent rise in the power of conservative hardliners and military officials dissatisfied with Gorbachev's foreign policy, said to be one of the reasons behind Shevardnadze's resignation announcement, may also make it difficult for the president to return the islands.

Over the past months, the conservatives have complained that Gorbachev sold off Eastern Europe to the West.

Similar Policy

At the same time, Professor Uda adds, Gorbachev is likely to make aggressive efforts to improve ties in the Asia-Pacific region similar to those steps taken with Europe. As an important part of his initiatives on the Asia-Pacific front, Gorbachev may make a daring proposal to improve ties with Japan in exchange for economic aid, Uda says.

Takehiko Kamo, professor of international relations at Tokyo University, says it is certain Gorbachev is holding the return of the islands as a trump card to win economic cooperation from Tokyo. Gorbachev has not shown any indication of his strategy, the professor notes.

While the impasse over the territorial dispute continues, Tokyo's attitude over aid to the Soviet Union appears to be gradually changing, observers point out. The Foreign Ministry, which had originally resisted emergency food and medical aid to the country, eventually changed its stance as other Western industrialized nations, such as Germany and the United States, pledged similar aid. There was also pressure from the Liberal-Democratic Party on the government to improve the atmosphere of Japanese-Soviet relations before Gorbachev's trip to Tokyo.

Soviet officials in Tokyo have been openly asking Japan to provide large-scale loans to rebuild the Soviet economy on a medium to long-term level. The government has not yet shown any clear sign of change in its position of refusing large-scale aid unless the islands are returned.

Sophia's Professor Uda says the government, to cope with the Soviets' skillful diplomatic maneuvers, should come up with some shrewd tactics on its own to negotiate the territorial dispute and economic assistance. But it is also true that the success of Gorbachev's domestic reform depends heavily on whether he can overcome mounting economic troubles at home. A failure in that arena could lead to his downfall, Uda warns. The government should be flexible on aid to Moscow because a further deterioration in the Soviet economy might also have a negative impact on relations with Japan, he adds.

Kamo of Tokyo University notes that current domestic problems facing Gorbachev make it increasingly necessary for the West to support his reform movement and foreign policy, which has undoubtedly helped ease military tensions around the world.

Reassess Stance

The Foreign Ministry should also re-examine its cautious stance by setting aside the territorial dispute for the time being, Kamo says. "Japan should think of its relations with the Soviet Union not from a bilateral perspective but from a global view that supporting Gorbachev will lead to peace and economic stability in the Asia-Pacific region as well as the rest of the world," he says.

Kamo questions whether there is a desperate need for Japan, either for security or economic reasons, to insist on the instant return of the islands. "The government must examine how to make Moscow feel indebted to Japan (for economic aid)," he says. Helping the Soviet Union now would benefit Japan's long-term relations with the rest of the world, including the United States and Europe, Kamo says. It is highly possible for Washington, in its pursuit of superpower cooperation, to ask Tokyo to provide Moscow with economic assistance in the future, he adds.

The German ambassador to Japan, Wilhelm Haas, said at a recent press luncheon in Tokyo that he hopes Japan will play an active role in Western support to Gorbachev.

A recent report by the International Monetary Fund and other multinational agencies on the Soviet economy concluded that large-scale financial aid to the country will not be effective unless Moscow introduces a workable reform program for transition to a market economy. A Foreign Ministry official admits that economists' assessment of the Soviet economy is one thing and the "political" effect of financial aid to Moscow is another.

On the other hand, another senior ministry official says what really counts in helping promote Soviet economic reform is not official aid by foreign governments, but increased private-sector trade and investment by foreign firms. "The private sector will find it too risky to do business in the Soviet Union unless government-to-government relations are stabilized," which means, in the Japanese Government's context, the return of the four islands, he says.

Edamura First Envoy Received by USSR's Yanayev

OW3112132690 Tokyo ASAHI SHIMBUN in Japanese
30 Dec 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[By correspondent Shimada]

[Text] Moscow, 29 Dec—Japanese Ambassador to the Soviet Union Edamura met with newly elected Soviet Vice President Yanayev for about 40 minutes during his courtesy call on the latter at the CPSU Central Committee on 29 December.

According to the Japanese Embassy, Ambassador Edamura conveyed messages of congratulations from Prime Minister Kaifu and other Japanese leaders to Yanayev on his election to the vice presidency. Noting that Mr.

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Yanayev is a Japan relations veteran, Ambassador Edamura said that the Japanese Government and people welcome his inauguration as vice president. He also said that the acceptance of his call as the first from among the diplomatic corps in Moscow reflects the Soviet stance of attaching importance to relations with Japan. He then asked the vice president to exert his best efforts so that President Gorbachev's visit to Japan, scheduled for next April, will produce results which will be regarded as a success by the people of both sides.

In reply, President Yanayev said the fact that a peace treaty is nonexistent between the two countries is "anachronistic" and stressed that the basic Soviet foreign policy remains unchanged despite Foreign Minister Shevardnadze's announcement of his resignation. He asked the ambassador to convey to Japan that the Soviet Union takes great interest in the results of the presidential visit to Japan as well as in Japanese-Soviet relations.

Informational Assistance Fund for USSR Allotted

OW2812092990 Tokyo MAINICHI SHIMBUN
in Japanese 28 Dec 90 Morning Edition p 3—FOR
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[Text] It was agreed on 27 December that a 143 million yen [Y] fund for informational assistance to the Soviet Union's perestroika projects should be included in the 1991 government budget draft. This came as a result of negotiations between the Foreign Ministry and the Finance Ministry on the latter's budget draft.

The government, using the fund, will invite Soviet youths and specialists to Japan as trainees, and will educate them on management techniques as a way of providing assistance to the Soviet efforts for transition to the market economy.

The Foreign Ministry also sought the application of Official Development Assistance (ODA) to additional East European countries, and the Finance Ministry agreed to set up a fund of Y775 million for three new aid recipient nations—Czechoslovakia, Bulgaria, and Yugoslavia. When this amount is added to the Y800 million already earmarked for Poland and Hungary, the ODA to East European countries will amount to Y1,570 million next year.

Survey on Coastal Trade With USSR, PRC, ROK

OW0401131491 Tokyo MAINICHI DAILY NEWS
in English 3 Jan 91 p 7—FOR OFFICIAL USE ONLY

[Text] Niigata moved ahead of Toyama in the first half of 1990 in coastal export trade with the Soviet Union, the semiofficial trade promotion agency has announced.

The Japan External Trade Organization (JETRO) said that Toyama, which had led previously, saw its exports to the Soviet Union decline, due mainly to difficulties in Soviet payments for imports. However, Toyama's imports of crude oil from China saw a steep increase.

JETRO conducted a survey on Sea-of-Japan coastal trade with the Soviet Union, China, and South Korea against a background of improving economic ties between South Korea and the Soviet Union and South Korea and China as well as ongoing economic reforms in the Soviet Union. The survey was based on trade statistics compiled by customs, covering trade through groups of ports under the jurisdiction of individual customs offices.

Exports to the Soviet Union through a cluster of three ports in Niigata Prefecture, where both the local government and their private sector are very active in promoting trade with the Soviet neighbor, totaled 23.9 billion yen in the first half of the year, a steep 97 percent gain from the year before.

Exports to the Soviet Union through three Toyama Prefecture ports, including Fushiki, fell 8 percent to 16.6 billion yen in the half-year.

Exports to that country through groups of ports served by single customs offices in Tsuruga, Shimonoseki, and Kitakyushu also suffered setbacks, also reflecting delayed Soviet payments for imports.

Hokkaido retained its lead in imports from the Soviet Union, although Kitakyushu is looming large as a place for offloading Soviet goods. By contrast, imports from the Soviet Union through the three Niigata ports were sluggish despite their status as leading export ports. Exports to China through virtually all Sea-of-Japan coastal ports suffered setbacks, mirroring the lingering effects of the June 1989 Tiananmen Square incident, JETRO said.

By contrast, imports from China through most ports posted marked gains. Imports from China through the three Toyama Prefecture ports totaled 12.5 billion yen, up 185 percent from the year before. This sharp increase was due chiefly to a threefold jump in crude oil imports from China.

The value, the second highest ever, drew closer to the 17 billion yen worth of imports from China recorded by the group of two Kitakyushu ports, which ranked top. Imports of Chinese textile and fishery products through Shimonoseki both witnessed appreciable increases.

While total imports from South Korea in the first half of the year were up only 1 percent, imports from that country through Sea-of-Japan ports posted double-digit the treble-digit advances. Shimonoseki Port, in western Japan, held an overwhelming lead in imports from Korea.

China Agrees To Repatriate 900 Refugees

OW2812143290 Tokyo JIJI in English 1313 GMT
28 Dec 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 28 (JIJI PRESS)—China has agreed in principle to receive just over 900 Chinese who have arrived in Japan posing as Vietnamese boat people.

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government sources said Friday. The agreement came at three days of bilateral talks from Dec. 20 in Beijing, the sources told Jiji Press.

At the talks, Japan called on China to take back a total of 1,041 refugees. But Chinese officials refused the request, saying that they are Vietnamese in nationality, the sources said.

Under the compromise accord, China will accept a little over 900 people of the 1,041 with the remaining people being allowed to stay in Japan as Vietnamese boat people, the sources said.

In the end, it appears inevitable for Japan to accept the 100 people as they came to Japan after staying in China for less than six months or after a brief stopover in that country, a government source said. The Japanese Government will start sending back the refugees in question in January at the earliest, the government sources said. Japan will [words indistinct] all the transportation costs, they said.

Japan also agreed to provide necessary funds to China through the office of the U.N. High Commissioner for Refugees (UNHCR) and other organizations to help that country set up permanent residence for such Chinese people, the sources said. [Words indistinct] illegal Chinese immigrants occurred in May- September 1989. China took back a total of 1,778 Chinese on five occasions between December 1989 and September this year at its own costs because they proved to be Chinese nationals.

Editorial on PRC's Economic, Political Problems

OW3012032490 Tokyo THE JAPAN TIMES in English
29 Dec 90 p 22—FOR OFFICIAL USE ONLY

[Editorial: "Deng on Stage Again"]

[Text] It was apparently not by whim or chance that China's senior leader, Mr. Deng Xiaoping, ended months of seclusion to appear publicly, and on camera, in Beijing this week. Obviously his reappearance was timed for the opening of the all-important plenum of the Communist Party's Central Committee, which will set the course, and the rules, for the Chinese economy under a new five-year plan.

A mighty struggle reportedly has been in progress over the past few months between hardliners who want to undo the economic reforms introduced by Mr. Deng in 1978 and those supporting reform, delaying the plenum session several times. It appears that the reformists, at least for the moment, have won this round in the power struggle.

Mr. Deng's public appearance has put an end to speculation that he was ill and hospitalized, and assured China's people that he is still capable of making decisions and wielding influence, particularly over the members of the plenum. The 86-year-old leader moved slowly

and with some assistance, but he seemed healthy enough for a man of his age. He personally has something at stake in the results of the plenum, since his ideas and prestige have been under assault.

Although the hardliners seem unified in their demands for a return to orthodox economic management under firm centralized control, the reformers are divided between provincial party leaders, who are more favorably inclined toward market-oriented policies, and Beijing's more cautious top leadership.

In a speech earlier this month, Premier Li Peng revealed the basic outline of the five-year plan, which will be in force from 1991 to 1995, and which follows Mr. Deng's line. The annual average economic growth rate is set at 6 percent, less than the growth rates of the 1980s, but high enough to attain the goal of achieving an output by the year 2000 that would be four times the GNP of 1980.

Under the plan, China will continue in its attempts to integrate the market-oriented practices of the capitalist system with the communist economic structure. Pragmatically, China hopes to take the best from both systems. In addition, the opening to the outside world apparently will be kept as a principal policy. The Chinese leadership is calling for strong support for all aspects of the economy, and for scientific and technological development as well as education to promote sound growth over the next several decades.

The plan indicates that Mr. Deng's policies are still on track, and the Chinese leadership, as it has always done in the past seven five-year plans, is promising economic achievements and a better life to the Chinese people. But it is appropriate to ask whether the leadership can still deliver what the people need and want. The economy is in a slump with growth below 2 percent and a high unemployment rate. The mass of the population appears too frightened of the future and too disheartened by the past to spend enough to help stimulate the economy. The shop shelves in Beijing and other cities are reported full, but consumers are not buying. Instead, they appear to be saving their money as insurance against an uncertain future, and their total savings are conservatively estimated at \$127 billion.

Without doubt the crackdown on the prodemocracy movement in June 1989 and the subsequent tightening of central control, both politically and economically, have had a negative impact on the Chinese economy. Likewise the government's squeeze on credit and the austerity program imposed in 1988 to combat then raging inflation helped plunge the economy into a recession. But the argument that unless some political freedoms are returned to the people, something the leadership is afraid to do, the economy will continue to stagnate, five-year plan or no, makes very good sense.

In the past year, China's leadership has done better outside the country in restoring its acceptability than within. Japan has decided to make available the \$5 billion in loans that were frozen after the Tiananmen

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Square disturbances, and the World Bank is providing a \$114.3 million loan. Internationally, the repulsion felt over China's suppression of human rights is subsiding. But a better image abroad and the loans will not be sufficient in themselves to restore vitality to the economy.

China's real problem is a political one. It seems that the Chinese leaders have been doing the best they can to ignore the collapse of communism worldwide. But it seems unlikely that China can prove the exception and remain the only unchanged major communist power in the world. To the eyes of outsiders, clinging to a widely discredited doctrine appears to be largely responsible for the giant country's economic malaise.

* Normalization Talks With DPRK To Continue

912B0047A Tokyo *EKONOMISUTO* in Japanese
20 Nov 90 p 69—FOR OFFICIAL USE ONLY

[Text] The preliminary talks toward diplomatic normalization between Japan and the Democratic People's Republic of Korea (North Korea) were held in Beijing on the third and the fourth of this month. Negotiations between the two countries began for the first time in 42 years, since the foundation of North Korea. However, the talks will be held again this month, because both sides were not able to come to an understanding over matters such as the date, the place, and the theme of the primary talks. Japan said that "both countries should recognize the historical meanings of the normalization. We hope to reach an agreement soon," (a leader of the Foreign Ministry). However, the rocky beginning of the negotiations indicated a difficult future.

The differences in the attitude of the countries were evident in the opening speeches and the statements made on the third. Chu Ching-kuk, the chief of the North Korea Foreign Ministry's First Bureau, stated that "both countries have had antagonistic relations for a long time. But this circumstance does not conform to the two nations' wishes. We would have liked to improve the relations sooner." Japan's Asian Affairs Bureau Director General Tanino pointed out that "the talks by representatives of the two countries hold historical significance." He went on to state that "considering the value of normalization of relations between the two countries, it is vital to obtain other countries' understanding and support. This will make the normalization of the two countries contribute to the peace and stability on the Korean peninsula."

To sum it up, North Korea wants to attempt early diplomatic normalization in order to obtain economic cooperation from Japan. On the other hand, Japan, bearing in mind U. S. and South Korean objectives, wants to be cautious in negotiating with North Korea. Although the main subject of the discussion for the preliminary talks was to arrange the procedures for the primary talks, it was natural that agreement could not be reached when both sides have so many different stances.

The focus during the preliminary talks was the "joint declaration," announced in September by the Liberal Democratic Party [LDP], the Socialist Party, and the North Korean Workers Party. North Korea's Foreign Ministry's First Bureau Chief Chu mentioned the name of the former deputy prime minister, Kanemaru, repeatedly during the talks. Chu made it clear that "he wants to normalize relations ensuring the spirit of the joint declaration." He clearly indicated that he will pay maximum respect to the joint declaration and that he will proceed with the normalization talks accordingly. Japan maintains the position that "we fully understand the idea of the declaration, but we will not be restricted by it when it comes to concrete issues," (a leader of the Foreign Ministry).

Nuclear Issue Is the Key

The essence of the declaration is "the atonement" issue regarding the post-war era. South Korea takes strong offense because "the atonement" issue was not included during Japan-South Korea normalization talks. South Korea fears especially the possible employment of Japan's economy into military and nuclear power development. Regarding nuclear power development, the United States reported the same concerns as South Korea. The United States suggested Japan consider a condition on diplomatic normalization where inspections by the International Atomic Energy Agency (the IAEA) are accepted by North Korea.

Although it is difficult to foresee the future of the negotiations at this point, Japan holds the view that the negotiations will be prolonged because the first preliminary talks did not reach an agreement. But then, Japan has to avoid driving North Korea toward becoming isolated, which will have a negative influence on the peace and stability of the Korean peninsula. Japan intends to have especially careful consultations over "the atonement issue" with the United States and South Korea because this issue will be at the heart of the primary talks on normalization. At the same time, the Japanese Government cannot help but consider the intentions of the LDP and the Socialist Party's joint declaration. Therefore, the government may be asked to maintain a determined attitude during the course of the development of these talks.

Kaifu To Discuss Wartime Acts During Asian Tour

OW2812140890 Tokyo *JIJI* in English 1236 GMT
28 Dec 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 28 (JIJI PRESS)—Prime Minister Toshiki Kaifu indicated Friday he will express regret over Japan's wartime activities in Asian countries during his upcoming tour of the Association of Southeast Asian Nations (ASEAN).

His remarks on the past history of relations between Japan and Asian nations are now under study, Kaifu said in response to a reporter's question at his official residence.

Kaifu will visit the Philippines, Thailand, Malaysia, Singapore and Brunei Jan. 13-20. ASEAN is made up of the five countries plus Indonesia.

Government To Extend 'Grant-in-Aid' to Indonesia

*OW2812140690 Tokyo Jiji in English 1232 GMT
28 Dec 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo, Dec. 28 (Jiji PRESS)—The government Friday decided to extend a grant-in-aid of 1.23 billion yen to Indonesia.

Notes to this effect were exchanged with the Indonesian Government in Jakarta the same day, government officials said.

Of the total funds, 830 million yen will be used for a project to improve broadcasting technology and the remaining 400 million yen for a malaria control project, the officials said.

Nakayama Interviewed on Japan's World Role

*OW0301141291 Tokyo THE JAPAN TIMES in English
1 Jan 91 p 22—FOR OFFICIAL USE ONLY*

[Report on interview with Foreign Minister Taro Nakayama by Junichiro Suzuki, editor of THE JAPAN TIMES; date, place of interview not given]

[Text] The Gulf crisis and domestic politics last year revealed the limits of Japan's potential contributions to international security. Yet the Japanese people must ask themselves once again what their nation can do to help keep world order, Foreign Minister Taro Nakayama said in an interview with THE JAPAN TIMES. "Peace has its price and we have to pay for it," he said.

Nakayama stressed that the value of essential constancy in Japan's defense and foreign policies has been demonstrated by the announced intention by Soviet Foreign Minister Eduard Shevardnadze to resign and uncertainties intensified by the abrupt move about Soviet domestic and foreign policies.

Continued Japanese-U.S. partnership in the security and economic fields offers a persuasive assurance of stability in the Asia-Pacific region and protection against the danger of Japan's alienation from a resurgent, uniting Europe.

Interviewed by Junichiro Suzuki, editor of THE JAPAN TIMES, Nakayama described the 1990s as "a process of trials and errors to prepare for the next century."

"Unlike a year ago, when optimism about the future spread following the fall of Communist regimes in Eastern Europe, the world now greets the New Year wary of the Gulf situation, Soviet domestic politics and changes on the Korean Peninsula," the minister said.

Referring to the Jan. 15 deadline set by the UN Security Council for Iraq's withdrawal from Kuwait, Nakayama predicted tensions will "rise to an extreme point" from the start of the year.

Does the foreign minister share the widely felt concerns that the deepening crisis in the Soviet Union will affect Soviet policies toward the U.S. and Japan?

Soviet policy will unlikely be affected as long as Mikhail Gorbachev stays in power. The Soviet public should realize how much Gorbachev's foreign policy changed the world's view of Russia. Western nations offered emergency food and medical aid to the Soviet Union because they cared for the Soviet people and wanted to ease the pain of transition from the old to new systems. The Japanese Government made the decision to do the same, although the territorial dispute with Moscow has not yet been solved. The turnaround in world opinion toward the Soviet Union is a fruit of Gorbachev's perestroika reform and "new thinking diplomacy." Russia for a long time remained a closed society, a problem shared by Japan in one sense. Russians should open their window wider on the world.

What thoughts do you have now regarding the divisive controversy over the failed UN Peace Cooperation Bill? Is it correct to think that the result of that unsuccessful initiative is that the course of Japan as a strictly nonmilitary power has been reconfirmed? Will Japan have to find a practical way, based on that political reality, to assist in the task of peacekeeping in the post-Cold War world?

The Japanese people have enjoyed 45 years of peaceful life since World War II, which testifies to the success of our postwar foreign policy. At the same time, however, this might have nurtured a feeling among Japanese that they can live a good life on their own, alone.

The conclusion produced this time by the Japanese people was that financial assistance is their chosen form of contribution to the defense of peace in the world. We must make up our minds, then, to shoulder our share of the financial burden or face international isolation. Nevertheless, the question of whether Japan should do more than providing fund remains for us to answer.

There is a parallel with firefighting. When a fire breaks out in one's neighborhood, there will be a difference in community recognition between those who take part in the firefighting effort, those who send money after the fire is quenched and those who just send a telegram of consolation.

Speaking of the experiences of the Youth Overseas Cooperation Corps, its members participate in nation-building efforts in various areas of the world. After all, involvement of people both has an intrinsic value and makes a visible impact. It also creates human relationships and love.

Japan is under domestic constraints against sending personnel to join UN-led truce surveillance operations in

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high-risk areas. Japanese participation is thus limited to the monitoring of elections and cooperation in the administrative and medical areas. The latest experiences in the Middle East have led me to realize that even the dispatch of Japanese doctors and nurses to areas of conflict is difficult.

The events of last autumn have shown that the scope of support is very small in this country for joining international actions toward preservation of peace. Looking back on developments regarding the aborted UN Peace Cooperation Bill, I don't think the time and energy spent on it were totally wasted. It is noted, however, that legislators, scholars, and opinion makers all failed to see an essential link between the Japanese Constitution, the UN Charter and the Japanese-U.S. Security Treaty. Japan has obligations as a UN member country. The security treaty mentions the UN Charter. Our Constitution, in its preamble, says that Japan "desires to occupy an honored place in an international society striving for the preservation of peace."

I wonder whether Japanese people have ever given serious thought to the fact that postwar Japan was organized on the principle of international cooperation for peace. How many among us have read the security treaty and UN Charter?

Peace does not come for free. We have to pay a price for it, whether it is increased cost-sharing for U.S. forces here or funding for the United Nations. It is not simply a matter of whether or not to send the Self-Defense Forces abroad. We must rethink what we can do (to contribute to international peace).

The increasing American perception of Japan as an economic threat to the U.S. appears to have been compounded by misgivings about Japan's reliability as a U.S. ally in the course of the Gulf crisis. How do you read the current climate of Japanese-U.S. relations?

The presence of the cultural gap and lack of close personal ties between leaders in all walks of life in Japan and the U.S. are an underlying source of strain in bilateral relations.

It is to address this problem that the Japanese-U.S. fund for cultural exchanges was quintupled to ¥50 billion and approved by the Diet last month under the fiscal 1990 supplementary budget. It is designed to facilitate more extensive personal exchanges on all levels, from the grass roots to the top.

The number of Japanese people traveling to the U.S. may have increased. But even 45 years after the end of World War II, there are very few Japanese leaders who have experienced an extended period of life in the U.S.—for example, by spending four years on a college campus or working for an American company. Few Japanese leaders have American friends close enough for them to talk to over the phone when they have problems. The absence of extensive personal friendships between Japanese and American leaders will inevitably create a

gap in the way of thinking between the two countries. If Japanese-U.S. ties are not firm enough, the overall triangular relationship between Japan, the U.S. and the European Community will be affected.

The EC's progress toward a single market is changing the global structure of international relations. The North African economics on the Mediterranean coast, as well as the EFTA (European Free Trade Association) nations and Eastern Europe, are being attracted by the vigor and energy of EC integration to create a large European economic space, while the U.S. is interested in strengthening ties with the Central and South American regions. A grand design is taking shape for the next century. How Japan should position itself in the emerging world order will be the focal point of its diplomacy in coming years.

The Japanese-U.S. Security Treaty must be maintained. The basic policy of a nation should not change at an uncertain and less than transparent time like the present. The security arrangement with the U.S. also contributes to stability in Asia as a whole. It serves as a demonstration to the world that Japan will not become a major military power. Asian nations will feel assured that with the security arrangement with the U.S. firmly in place, Japan will not need far-reaching, offensive military capabilities.

Later this month, the government will begin diplomatic negotiations with North Korea on normalizing bilateral ties. Will Japan seek an early accord or move with more caution so as not to hurt Seoul's interests?

The Tokyo-Pyongyang talks must be considered in the overall context of complex international relations surrounding the Korean Peninsula. The basic stance of Japan is to work toward stability in the Korean Peninsula as a whole. The Government should proceed with the talks with Pyongyang while maintaining a balance with relations with Seoul, as well as the ongoing dialogue between North and South Korea. We have to reckon, among other things, with future Soviet and Chinese moves regarding their ties with both Seoul and Pyongyang. It is important for Japan to keep a dialogue with North Korea. Japan's normalization talks with Pyongyang come at a right time because simultaneously North and South Korea are engaged in direct conversation between themselves.

Editorial Urges More Active International Role

*OW0201045891 Tokyo ASAHI EVENING NEWS
in English 1 Jan 91 p 8—FOR OFFICIAL USE ONLY*

[Editorial: "Japan in International Politics"]

[Text] There are some signs that people are distancing themselves from the ideology of paramount national interests, as seen in the market integration of the European Community (EC). Yet, international politics is still, in the main, conflicts of national egoism. A case in point is the invasion of Kuwait by Iraq. Trade frictions are another.

In such a world community fraught with strife, Japan has come to be increasingly looked down upon for not dealing with the situation effectively and properly. In order to have a more competitive edge in the arena of international politics, we must improve certain characteristics of our society and the disposition of our nation.

In such areas as freedom of speech, the economy, literacy rate and others, Japan has achieved a level that we can rightly be proud of. We have refrained from making nuclear weapons notwithstanding our capability to do so, desisted from extending a helping hand to a military government through our military aid, and provided the largest amount of foreign aid in the world. Basically, what we have done has not been wrong.

The problem is why the Japanese, who pride themselves on being honor students, fail to gain good will and trust from other countries. Apart from racial prejudice and jealousy toward those who have succeeded, are we not suffering, on our part, from the following diseases?

Allergy to philosophy: It used to be said that Japan is like a raft without an engine, with a concomitant implication that it was unable to travel on its own and simply allows itself to drift. It is said these days, however, that Japan has an engine but no rudder and that there is no knowing in what direction it is proceeding. It is unable to show a clear philosophy on its pacifist diplomacy and, at the mercy of external pressure, goes in a direction it has never intended. Instead of using our no-war Constitution as pretext, we need to float it as our clear ideal, and lose no time in building up a philosophical Japan... "that makes dramatic non-military contribution," in the words of Tanzan Ishibashi, former prime minister who served between 1956 and 57.

Fear of change: Kenneth E. Boulding, an American economist, once said his impression of Japanese history was that the Japanese are the most continuous, non-dialectical and non-revolutionary people in the history of mankind. We seem to have visceral aversion to change. Even when conditions around us have changed, we are unwilling to admit such a change. On the right are hawks who insisted that the Cold War had not come to an end even after the Malta summit, and on the left are those who claimed that what fell apart was Stalinism and not Marxism.

Laggardness: It was on August 2 last year that Iraq invaded Kuwait and October 12 that the Diet came into session to discuss measures to contribute to resolving the Persian Gulf crisis. Such laggardness is nothing less than morbid. We would like to have a more nimble system that acts more promptly in a turbulent world. As we dithered and missed good timing, neither our financial contribution to the Gulf crisis nor aid to the Soviet Union and to disaster areas got the gratitude they deserved.

Hypersensibility: The flip side of our footdragging is extreme reaction by some once they are determined to act. The appearance of an aggressor in the Middle East

was enough to drive some gung-ho people to do things that undermine the basic tenets of our non-war Constitution, perhaps out of eagerness to go along with the United States.

Facelessness: It is necessary for us to be aware of the important roles that individual persons play in international politics. There are very few countries in the world where there are so few people who can stand on their own feet as in Japan, free from the organizations they belong to or titles that they hold. The Japanese tend to think that if only the scripts are good, plays are assured of success, while the Americans and Europeans do not mind the missing of a page from the script if the actors are good. We should keep such a difference in our mind when we choose our players for the international scene.

Inflammation of partisan and factional interests: The government and the ruling Liberal-Democratic Party are so preoccupied with "harmony" within the party and its factions that they place too much emphasis on partisan and factional interests. National interests play second fiddle. It is typical of such attitude that, in forming a cabinet, hardly any attention was paid to who will best serve the country. The opposition parties, for their part, are mindful of popularity in the next election rather than the position of Japan in the context of the world. Partly due to lack of tradition of change of government among different parties, it is very rare in our country that "constructive compromise" comes out of conflicts of partisan interests.

Lack-of-modesty disease: Some of the virtues of the Japanese used to be modesty and self-discipline. But the buying binge in search of famous pictures, hotels and golf links and the exporting spree gave the impression all over the world that we are an "immodest people." It is not that we are doing something illegal. But even if legal, what we do these days is too liable to be frowned upon.

History amnesia: There is an unwillingness, especially among the people of the establishment, to admit our mistakes before and during World War II. It is particularly noticeable in comparison with Germany. The 50th anniversary of the outbreak of the Pacific War happens to fall this year. Unless we face history more squarely, people outside will inevitably look on the Japanese with more wary eyes.

If we had remained an "ordinary" country, our weaknesses mentioned above might not have been so serious problems. Given our "economic powerhouse" status in the world, however, attitudes and behavior that befit a small and inward-looking country cannot fail to attract attention as "extraordinary."

Many Japanese are intending "to fulfill big, political responsibilities in the world while abiding by the non-war Constitution." In order to gain understanding and support from the international community with respect to Japan's attitude, which is liable to be looked upon as "passive," nothing is more important than that we make Japan a society on the alert and unlikely to invite outside

criticism. That, in turn, makes it necessary that both our politics and national traits are transformed into likable, outward-looking ones.

However, as the cabinet reshuffle at the end of last year, we must admit that politics in this country continues to follow the "inward-looking" dynamics, totally disregarding international politics. In a sense, our most serious malady is lack of sense of crisis that should prompt us to reform ourselves. Unless Japan transforms itself, it would be inevitable that, as the French daily LE MONDE warned, "Japan, which benefited from the Cold War, would become an orphan in the days of rapprochement."

White Paper Continues Potential Threat Illusion

912B0025A Tokyo EKONOMISUTO in Japanese
9 Oct 90 pp 57-60—FOR OFFICIAL USE ONLY

[Article by Military Problems Research Association
Director Haruo Fujii]

[Text] Despite the deletion of the expression "potential threat," the "Defense White Paper" this year has not rid itself of the old idea of the "Cold War." This is the time to discard obsolete thoughts and search for a new security policy.

Deletion of "Potential Threat"

In the "Defense White Paper" 1990 edition, released 18 September, the portion that had declared for a decade that the Soviet Far East force was "a potential threat to our country" was deleted.

It is said that Prime Minister Kaifu strongly advised the revision and that the Defense Agency finally gave in. At a formal briefing, however, the Defense Agency authorities maintained that the Soviet Far East force "still remains a potential threat," and mentioned that the change is not a matter of awareness but merely expression.

The white paper judged that while the Soviet Far East force scraps outdated equipment, it continues in the direction of updating equipment at a fast pace and has made great progress in its reorganization, rationalization, and modernization. The comment in the white paper that "the stern military situation in the area around our country has not changed yet" that stems from those developments noted above indicates that the fundamental awareness of the Soviet Far East force has not changed. The commanders did not respond to the fact that the word "potential threat" was deleted, saying, "It is a mere matter of words"; and, "There has been no change in the premise that we need to equip ourselves with defensive capacity." In MAINICHI SHIMBUN on 18 September, the commanders criticized the white paper for its "logical inconsistency in the context" because of the change in expression without actual change in fact.

The views of the Defense Agency and the commanders can be said to be wrong several times over. They cling to the existence of the Soviet Far East force itself as a potential threat. In the 1980's edition white paper, they regarded the disposition of the Soviet ground force in the Northern Territories as "an increase in potential threat." That ground force still exists in the Northern Territories. The whole Soviet Far East force exists, as well.

To regard the existence of military power itself as a potential threat is a characteristic of the military mind. It can be said that it is based on the theory of equilibrium and that its result is the theory of necessary defense capacity. This year's white paper stresses the significance of the "fundamental principle of the defense plan" in the second section, and "the defense policy of our country," however, it mentions that there is a fundamental awareness of "stabilizing international relations" which has become "far more developed."

This fundamental principle stands for the basic concept of defensive capacity as opposed to the concept of necessary defense capacity. The 1977 edition white paper, explaining the fundamental concept of defense capacity, concluded that there is not a real threat without the intention of invasion, no matter how big the military capacity is, and that changes in the intention to invade are determined along with the international situation and the structure of international politics. In this manner, switching from the old equipment concept for defense capacity that had considered capability as a threat, the fundamental principle was determined.

If this year's white paper had meant to make this fundamental principle highly significant, its view regarding threats should have conformed to the fundamental principle also. It is obvious to everyone that even if the capability of the Soviet Far East force is the same as several years ago, its level of intention to invade, before and after the end of the U.S.-Soviet Cold War, is entirely different.

This year's white paper sticks to an awareness of the situation that opposes the logic of the fundamental principle while upholding the fundamental principle. This is a typical case of "inconsistency." Even at the time they determined the fundamental principle, many of the commanders opposed such a fundamental concept of defense. They regard the existence of the Soviet military capability as a threat even now, and request that necessary defensive strength be maintained. This is consistent with their way of thinking, but their view is wrong. They must not equate military capability with potential threat.

The government and the Defense Agency must go along with the ideology and logic of the fundamental principle, which they determined themselves, redress the error in the Soviet-threat theory, and change the fundamental concept of self-defense. Nevertheless, they have merely deleted the expression, "potential threat." The premise of the white paper has not changed from the first half of

the 1980's, when the U.S.-Soviet Cold War reached its critical stage. The commanders criticize that, saying it is "inconsistent."

Intention of Invasion of Japan Is Zero

The "fundamental principle of the defense plan" was determined in 1976, during the U.S.-Soviet Cold War period. Although there was a temporary detente at that time, military blocs of East and the West were confronting each other. But now, the U.S.-Soviet relationship is being fundamentally changed. It is not confrontational but has changed to a relationship based on mutual understanding and partnership.

The U.S. and the Soviet Union are mutually disarming military capacity and changing attitudes toward each other. They are not only heading toward disarmament in Europe, but they also have stopped menacing military activities around Japan. Far from that, the Pacific Fleets of both countries are making goodwill visits to San Diego and Vladivostok, to the main bases of their counterparts.

Since 1985, when Gorbachev came to power, the Soviet military has clearly been transformed. First, activities outside its territories by its Navy and Air Force have declined sharply; then, military forces abroad have been largely recalled, and military expenditures reduced. The facts also support a change in military doctrine.

Minister of Defense Yazov announced in April 1989 that the Soviet Union will switch 60 percent of its military production to peaceful purposes by 1995. The U.S. Pentagon's "The Soviet Union's Military Capacity" released in September of the same year indicates that the number of militant surface war vessels and submarines built has declined compared to previous decades, and that this means a reduction in fighting capacity for the 1990's.

The white paper insists that the accumulation of military capacity in the Soviet Far East is huge. Furthermore, it indicates that the Soviet Far East force "has begun switching from quantity to quality on a full scale," "maneuvers and exercises in the area adjacent to our country are continually active," and "the activities by Soviet Far East planes generally represent their actual fighting condition." This emphasizes "the stern military situation in the area around our country."

However, if I examine its explanation in detail, I have to say that it fails to explain "threat." For example, as a "sign" showing that the maneuvers and exercises are on a high level, the white paper brings up the point that "it is believed that a big maneuver with participation by about 100 airplanes, in total, took place near the coast in June of this year." But, two Japan-U.S. joint maneuvers, as a part of "PACEX" (the U.S. military Pacific maneuvers), in the fall of 1989 were carried out with northern Japan as a center, and with the participation of a total of 682 airplanes in one and a total of 304 airplanes in the other. Besides these, including one with 333 airplanes and one with 256 airplanes, Japan-U.S. joint maneuvers

and exercises in the sky were conducted nine times in 1989, according to tables 3 to 15 in the white paper. Compared to these, the exercise with about 100 airplanes total, by the Soviet Union, cannot possibly be called a "big maneuver."

The white paper states that while the ground force has decreased by two divisions and 30,000 people in the Far East, the divisions "are believed to have been switched to mobilization bases." The word mobilization base appears for the first time in the white paper; however, in "Military Balance," it has been described as a "mobilization division" that holds up to "5 percent at the maximum of strength and outdated reserve equipment." This is a system prepared for reserve forces mobilization and is not new.

The various types of Soviet fighting capacity are now being reduced. What is more, a 500-day projected plan on the movement toward a market economy calls for "largely reducing the budget for the Ministry of Defense and KGB by cutting down procurement." If the pitch for disarmament is accelerated and if the production of military equipment is reduced, the military capacity 10 or 20 years from now will be far smaller. The huge armaments that have accumulated so far will be scraps after their life as war machines is over. The only thing to do is to protect them from being used meanwhile. In the paragraph on the "military attitude in the Soviet Far East" in the white paper, expressions like "It is believed that..." and "It looks like..." are used excessively. This year, especially, these expressions are abundant. I guess the editors are working hard to portray the heightened quality of the Soviet military force and its intensifying the pressure on countries around it, yet those things are not suitable for an administration's official document.

The fact is that the threat from the Soviet Union has become zero. Even if the Defense Agency insists on "no change in approach," as time passes, the error of this approach will be proved. Last year's white paper was based on the concept of a "military squaring off." However, at the Malta meeting held 80 days after its release, the perfect bankruptcy of this premise was revealed.

Determine the Post-Cold War Security Policy

The white paper this year finally admitted that the East-West relationship has "moved to a period of full-scale conversation and cooperation." That is an undeniable fact. But it insists that it is different "around our country (Asia and Pacific region)." The paper is trying hard to except this region with a variety of rhetoric such as "complicated and diverse," "unstable and fluid," and "nonunified and nonsymmetrical."

It is undeniable that each region on the earth has its own characteristic. Yet, when the Soviet Union is changing, it can not be that only in the Soviet Far East does the situation remain the same. The improvement of the U.S.-Soviet relationship does not proceed excepting only the Asia and Pacific regions, either. The international

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situation is welcoming a "historic period of change" (in the white paper) including Asia.

In the middle of drastic change, conditions are certainly fluid. Yet we should not end by saying "the direction of the international situation is unclear." We must concretely analyze the interweaving of universality and dissimilitude, and find a direction for security policy for the post-Cold War era.

The situational awareness theory of the fundamental concept of defense capacity, as mentioned above, recognizes rationalization and foresightedness. The white paper could not accept this, and stands on the obsolete idea that military capacity means threat. Moreover, it tries to create an unreal image of threat by going so far as to twist the facts and arrive at one-sided judgements.

Regarding its general evaluation of the Soviet Far East force, the white paper merely mentions that the Soviet Union took "the advantage of the confrontation between China and the Soviet Union" to build up its forces and expand its impact on Asia and the Pacific. The white paper has dropped confrontation between the United States and the Soviet Union, which was the main cause for the Soviet military buildup. These three areas of conflict are all fading out. Therefore, there is no doubt that the Soviet Far East force is in the process of being cut back.

In addition, military capacity should be considered in light of not only military capacity but also its supporting national structure and national foundation. As for the Soviet Union, those three supporting factors are all frozen. The Soviet Union has no capability to carry out an invasion, and it has ceased to be a threat to other countries.

Japan's defense policy should first go back to the logic of the fundamental concept of defense capacity. From that point, it must proceed further toward forming a new security policy for the end of the Cold War. The main point is not to create a threat. Thus, the policy must be based on mature trust, disarmament, and development of a comprehensive policy for creating peaceful international relations.

The View of Frequent Occurrences of Regional Dispute Is Questionable

One of the characteristics of the white paper this year is the view on page 83 that by the breakdown of the Cold War structure, "a situation might arise where potential main factors for disputes in the Third World can easily come to the surface." On the other hand, page 13 of the white paper gives another side of this, that East-West relations during the Cold War "contributed in one aspect to the stabilization of international society."

Whether the military squaring off between the East and the West intensifies, or whether the tension between the United States and the Soviet Union eases, a crisis mentality has been continually advocated. And then, the Iraqi invasion of Kuwait happened. Defense Agency officials grasped at this saying, "This is an example

demonstrating the necessity and correctness of maintaining our fundamental defense capacity." As the threat from the Soviet Union fades, they look to regional disputes as ground for strengthening defense capacity.

Will the termination of the Cold War really generate frequent regional disputes? Originally, the Third World was outside the military blocs of both the East and the West. But since World War II, over one hundred armed disputes have occurred. In many cases, the United States and the Soviet Union have intervened and propped up the opposing forces. Owing to this, the disputes became intensified and lengthened. There were a lot of disputes that were unconnected to the U.S.-Soviet confrontation, but it can be said that small wars occurred frequently because of the Cold War structure.

The termination of the Cold War will bring about disputes within the military blocs of the East and West. However, the trend demanding expansion of human rights and racial rights should be welcome. Disputes in the Third World will occur in the future, too. But, the termination of the Cold War itself will not be the main cause of frequent disputes.

Rather, as it has been on the Korean peninsula and in Central America, improvement in the relationship between the United States and the Soviet Union in the long term will enhance conditions for peaceful solutions. A fear is that selling off the unused outdated equipment during disarmament and a search for new markets by the munitions industry may heap fuel on the fire.

On the other hand, in the leading countries in the West, there is a possible danger that the movement to seek threats in the place of the Soviet Union will intensify, and that those countries will extend their intervention to regional disputes. Situations like the Iraqi invasion, I believe, should be resolved within the framework of the United Nations. At this point, it is hard to understand why the white paper for the past two years has included in the opening paragraph of the second section, "the defense policy of our country," the comment that "in today's international society, there is no universal organization to prevent invasions and to respond effectively in case of the occurrence of invasions." It stays the same in this year's issue.

Until the 1988 issue, the white paper included a comment that said, "We need to cooperate further with activities of the United Nations, which plays an important role for maintaining world peace." This part has been changed since last year to the following: "...even through the United Nations, etc., we are making large contributions."

Since the beginning of this year, a magazine LAND COMBAT STUDY has successively inserted articles asking that the Self-Defense Forces play an international role, such as "Study of the military significance of peace-keeping activities" written by Captain Koichi Isobe for the January issue and "A study of international emergency aid activities of the Self-Defense Forces" [SDF] by First Lieutenant Katsue Sato for the June issue.

Now the issue has surfaced as to whether the SDF will join the United Nations peace corps. The commanders are demanding that they be sent in as self-defense officials in uniform and with light firearms. The inside affairs of the SDF are far ahead of the situation reported in the white paper.

JSP Fund-Raising for Unified Local Elections

WA31121825 Tokyo MAINICHI SHIMBUN
in Japanese 13 Dec 90 p 2—FOR OFFICIAL USE ONLY

[Text] The Japan Socialist Party [JSP] has launched the second phase of its fund-raising drive for next spring's unified local elections with the slogan "Stick to it, Takako!" The drive's first phase, which has been under way since April 1989, collected contributions totaling 40 million yen from about 6,000 supporters. This time the goal is larger—300 million yen—which the party would like to reach by April 1991, when the unified local elections will be held.

Fund-raising drives for political parties and labor unions are often portrayed in exaggerated terms of "war chests." But this time the JSP's appeal is soft: "I would like you to contribute to my campaign in whatever amount corresponds to your enthusiasm for a clean politics." A pastel drawing of Chairwoman Doi's face smiles from the pamphlet accompanying the campaign payment form.

A prospectus announces that the funds will be used "to create a contingent of 10,000 JSP local assembly members by the year 2000," and that the 300 million yen "converted into campaign expenses for female candidates corresponds to 100 people."

Currently there are fewer than 4,000 JSP local assembly members, only slightly more than 5 percent of the total. Thus they have embarked on a plan to strengthen the party's foundations by electing 10,000 local assembly members this spring. Secretary-General Tsuruo Yamaguchi's appeal, however, is a bit brash: "It's bonus season. By all means, contribute." Well, whatever works....

Opinion Poll on Support for Political Parties

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[Editorial Report] The 5 December TOKYO SHIMBUN in Japanese, page 2, published the results of a public opinion survey the paper conducted on 1-2 December to measure public support for Japan's political parties. Compared to a similar poll the paper conducted in September 1990, the responses revealed increased support for the ruling Liberal Democratic Party [LDP] but a decline in support for Prime Minister Toshiki Kaifu's government. Public support for the Japan Socialist Party [JSP], the second largest party, showed a modest gain, but there was a loss of support for the three smaller opposition parties—Komeito, the Japan Communist Party, and the Democratic Socialist Party—and also a drop in the number of uncommitted voters. Lack of confidence in Prime Minister Kaifu and his ability to

manage foreign affairs was cited as the biggest reason for diminished support for the government.

The poll was conducted by using a two-tier random sample taken at 250 locations throughout Japan chosen as representative of the country's 90 million voters. Three thousand men and women above age 20 were picked for interviews, among whom 1,993, or 66.4 percent, gave responses. Of the respondents, 53.5 percent were women and 46.5 percent men.

Four questions were asked, with responses grouped into categories (figures in parentheses show the results of the paper's September 1990 opinion survey):

Question 1. Do you or do you not support the Kaifu cabinet?

	Percent	Percent
Support	52.1	(59.3)
Do Not Support	40.1	(27.7)
Other	1.1	(1.9)
Don't Know/No Response	6.7	(11.1)

Question 2. (Asked to those who responded "Support" in Question 1) Why do you support Prime Minister Kaifu's cabinet?

	Percent	Percent
Trust the Prime Minister	19.2	(20.5)
Because it is an LDP Government	23.5	(21.7)
Good Economic Policies	1.9	(2.3)
Handling of Foreign Affairs	2.2	(4.5)
There is No One Else Suitable	38.1	(36.1)
No Reason	14.1	(12.9)
Other	0.7	(1.4)
Don't Know/No Response	0.3	(0.6)

Question 3. (Asked to those who responded "Do Not Support" in Question 1) Why don't you support the cabinet?

	Percent	Percent
Prime Minister Cannot Be Trusted	15.8	(10.7)
Because it is an LDP Government	17.8	(25.7)
Dislike Kaifu's Personality	4.8	(7.0)
Bad Economic Policies	18.7	(18.2)
Mishandling of Foreign Affairs	26.9	(20.6)
No Reason	14.3	(13.6)
Other	1.3	(3.5)
Don't Know/No Response	0.4	(0.7)

Question 4. Which Political Party do you Support?

	Percent	Percent
Liberal Democratic Party	55.4	(52.3)
Japan Socialist Party	20.0	(18.6)
Komeito	3.3	(4.0)
Japan Communist Party	1.8	(2.1)
Japan Democratic Socialist Party	1.3	(2.3)
United Social Democratic Party	1.4	(1.2)
Other	0.4	(0.5)
No Party	13.2	(16.2)
Don't Know/No Response	3.2	(2.8)

EPA Official Says Financial Collapse 'Unlikely'

OW2712232190 Tokyo THE JAPAN ECONOMIC JOURNAL in English 5 Jan 90 p 8—FOR OFFICIAL USE ONLY

["Guest Column" by Masaru Yoshitomi, director general of the Economic Research Institute under the Economic Planning Agency (EPA): "Japan's Financial Collapse in 1991 Is an Unlikely Scenario Despite Seeming Threats"]

[Text] Could a collapse of Japan's stock and land prices plunge both Japan and the world economy into a financial crisis in 1991?

A number of commentaries, including the Dec. 8-14 issue of THE ECONOMIST, say it could. At the very least, the world economy is certain to face a variety of financial crises in the coming year.

In the U.S., for example, there are massive debts of non-financial corporations, which threaten to bring about defaults and a debt crisis. The asset holdings of U.S. financial institutions as a whole also seem somewhat shaky, given the growing likelihood of defaults on loans to the construction and property sectors and on leverage buy-out finance. Worse, a banking crisis equally as serious as the savings and loan mess threatens to engulf even the large commercial banks.

The situation in Europe is no less worrisome. German unification has boosted long-term interest rates on the mark, with no likelihood that they will come down anytime soon. There is also the possibility of a worldwide shortage of savings. In addition, there is political instability in Eastern Europe and the Soviet Union, where the collapse of the class party hierarchies is fueling the rise of populists.

The result of all of this seems likely to be the latinization of the Eastern European economies and the balkanization of politics. The region is essentially left with only two choices: a Marshall plan, or martial law.

The massive economic and political tumult in Eastern Europe and the Soviet Union is certain to cause disruption in the German economy. And on top of all this lies the possibility of an ultimate collapse of the Uruguay Round of negotiations at the General Agreement on Tariffs and Trade.

All of these developments on the international front stand ready to trigger asset deflation in Japan over the coming year. And it also appears likely that at exactly that moment, the Japanese economy will be on the verge of a major slowdown, especially in the area of business investment.

The real growth rate of Japan's gross national product in the fiscal year through March 1991 is certain to exceed 5 percent. This is simply because even if the growth rate is zero in the last two quarters, the rate for the year as a whole will still be 4.6 percent.

Many business surveys are also indicating that private capital investment will continue to grow at an annual rate of about 15 percent throughout the rest of the current fiscal year. The most recent such survey was the Bank of Japan's survey on the short-term business outlook conducted in November, released Oct. 12.

All the problems will emerge in the fiscal year beginning next April, if they emerge at all. Most private forecasts are predicting a growth rate of about 3.5 percent for the fiscal year. Will this growth rate be achievable given the possibility of asset deflation?

The Economic Planning Agency's latest set of final national income statistics, released on Dec. 21, gives an up-to-date picture of asset inflation in Japan. From the end of 1985 to the end of 1989, the value of land assets in the country as a whole more than doubled to 2,180 trillion yen from 1,050 trillion yen. In dollar terms, the increase was four-fold. As only minute areas of land can be created through reclamation and such, this surge in the value of land has meant the generation of approximately 1,100 trillion yen in capital gains. In the same period, the total value of stocks jumped 3.7-fold, from about 240 trillion yen to approximately 900 trillion yen.

Capital gains on lands and stocks, estimated in the EPA statistics under the heading of "adjustments," totalled 570 trillion yen in a single year of 1989. By way of reference, Japan's GNP in 1989 was "only" 400 trillion yen. It is often said that when these bloated asset values collapse, the Japanese economy will sink. There is good cause to doubt this conclusion, however.

Since the end of 1989, stock prices have fallen 45 percent. This amounts to a plunge of 400 trillion yen in capital gains, or the equivalent of one year's GNP.

The plummeting stock market, however, has hardly affected private business investment at all. The reason is that large corporations have carried out their investments with internal funds.

While stock prices were steadily rising in 1988-89, Japan's large corporations were able to carry out equity financing at effective interest rates of 1-2 percent. Where did these funds go? They were invested in large-denomination time deposits and certificates of deposit, whose unregulated rates stood at 6-7 percent. As a result, Japan's money supply, measured as M2 plus CDs, grew at an annual rate of 11-12 percent in 1988 and 1989. At first glance, this seems to represent a major easing of the money supply. It is easy to understand, then, that a plunge in stock prices would not have an immediate impact on business investment. The end to the large corporations' money games merely meant a contraction in the money supply.

By contrast, funds borrowed by small and medium-sized corporations from financial institutions were channeled into purchases of stocks and land, not just business investment. According to the EPA statistics cited above, land purchases by all corporations amounted to 2.6 percent of GNP in 1989. This clear difference in money game behavior between large and small corporations is revealed in the Bank of Japan survey of the short-term business outlook. In the real estate industry, for example, while large corporations still anticipated an increase in earnings through March 1991, small and medium-sized corporations anticipated a sharp decline.

Accordingly, a number of real estate-related problems loom in 1991 only for small and medium-sized firms and, therefore, the small and medium-sized financial institutions which have lent to them. Thus, no problems appear likely for Japan's large corporations and financial institutions. This is decidedly different from the situation in the U.S., where even large commercial banks face the threat of an insolvency crisis.

As the depression from 1929 to 1933 has shown, systemic financial anxiety occurs only when the real economy is also in a recession and stock prices are falling. But in Japan, where a growth rate on the order of 3 percent is anticipated for the next fiscal year and stock prices have bottomed out due to lowering long-term interest rates, this sort of anxiety seems unlikely to occur.

Agency Reports on Tokyo, National CPI's

OW3012135090 Tokyo THE DAILY YOMIURI
in English 29 Dec 90 p 1—FOR OFFICIAL USE
ONLY

[Text] The 1990 annual Consumer Price Index [CPI] for Tokyo climbed 3 percentage points above that of the previous year for the first time in eight years, mainly because of a steep rise in the price of fresh produce and refined oil products.

According to a Management and Coordination Agency report issued Friday, the CPI for the 23 metropolitan wards averaged 108.3 percentage points over the period from January to December 1990. The index for 1989 came to 105.3 percentage points.

Not since 1982, when the index saw a year-on-year increase of 3.1 percentage points, has the Tokyo CPI risen by 3 percentage points.

The 1990 Tokyo CPI was boosted by sharp increases in the cost of food (4.3 percentage points over 1989), tuition fees (4.4 percentage points) and cultural and entertainment expenses (4.1 percentage points). Though comparatively small, the 0.6 percentage point growth in the cost of utilities was also significant, as it was the first year-on-year increase in five years.

Meanwhile, the nationwide CPI stood at 108.9 percentage points as of November. The November index was 0.4 percentage points lower than in October, but it was 4.2 percentage points higher than November 1989. The 4.2 percentage point year-on-year increase, the agency report noted, was the largest monthly hike since December 1981 when the monthly index rose 4.3 percent over the same month the year before.

Both the Tokyo and national CPI are compared with the base year of 1985, for which prices are arbitrarily set at 100. The Tokyo CPI is often interpreted as an indicator of national price trends.

Agency sources attributed the sharp growth in the annual Tokyo CPI to three major factors: higher prices of fresh vegetables and cut flowers due to poor weather; rising costs in the service industry due to the labor shortage; and appreciation of the price of crude imports due to the Persian Gulf crisis.

According to an Economic Planning Agency spokesman, commodity prices are expected to level out after peaking in November, unless the Gulf crisis degenerates into war. He said prices of fresh produce, which had shot up due to inclement weather, were already falling in December, as were the wholesale price of oil products.

Stock Market Ends Down

There was little to celebrate as the Tokyo Stock Market closed out the year Friday with its Dainokai, the last session of the year. Share prices at year-end were nearly 40 percent lower than a year ago—dragged down by high interest rates and the Persian Gulf crisis.

The Nikkei average of 225 selected First Section issues closed out the year Friday at Y23,848.71, Y91.99 lower than the Thursday close. It was the first time since 1986 that the Dainokai session closed lower than the day before, and the first time since 1977 the year-end close was lower than the previous year's close. The 1989 close of Y38,915.87, in contrast, was a record high. Analysts are generally pessimistic in their predictions for 1991.

FBIS-EAS-91-003-A
4 January 1991

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"The market will remain weak at least until spring, when major corporations' business results for the second half of fiscal 1990 will be released," said a specialist at a major trust bank. An analyst for a major securities firm, however, predicts a fall in the interest rate will send the stock market average soaring again—perhaps in the latter half of the next year.

Continued Low Stock Prices Predicted

912A0030A Tokyo EKONOMISUTO in Japanese
16 Oct 90 pp 12-16—FOR OFFICIAL USE ONLY

[Article by economic commentator, Rinichi Kozaki]

[Excerpts] Myth About Steady Rise Collapses

In the Japanese stock market, until now, there has been a myth about the steady rise of stock prices, which has continued for 45 years since World War II—with blue chips, particularly, an empirical rule that no matter when you buy the stocks, you will be sure to profit if you hold them long enough—and that has been confirmed statistically. However, shouldn't the recent crash, with a plunge of nearly 50 percent from late last year's peak of Y38,915, be viewed as a structural change? Nearly half a century has passed since the end of World War II and Japan has advanced from recovery to growth and maturity so won't the stock market enter into a cyclical period?

If stock prices symbolize the Japanese economy, the recent steep decline might be a symbol that the "Japanese economy has reached the period of maturity."

A review of the past reveals that this is not the first time that stock prices have dropped more than 40 percent from peak levels. The extent of decline was 38 percent during the first oil shock, 44 to 45 percent during the 1965 recession and to go back further, 51 percent during the 1949 Dodge Line.

Although there are such precedents, 40- or 50-percent drops are not trivial matters. Current investors are in a frame of mind to minimize losses before further falls, at any rate, so dumping has started.

Speaking technically, selling by individuals has become noticeable from last week (final week of September). In past cases of sudden falls, individuals bought at the final highs and when they began dumping, institutional investors scooped them up at bottom prices to reap gains. However, on this occasion, institutional investors, themselves, are in a money crunch and cannot pick up the lows. The energy of the entire market has been drained. That is likely to be the factor that will delay the readjustment.

That is to say, the volume averaged nearly 1 billion shares per day last year and all of that trading took place during the rising phase of stock prices. In other words, since there is a residue of over 1 billion shares traded at a level above Y30,000, to put it simply, over 1 billion

shares must now be sold for 1 year to wipe the slate clean. Actually, however, the volume is below 500 million during this declining phase so the remaining half have been virtually left high and dry.

Since the myth of eventual rise remains in their subconscious minds, people probably believe that prices will recover if they hang on for 3 to 5 years. That discourages dumping and becomes a factor in prolonging the liquidation period.

Regression to Pre-Plaza Accord

Then, why did this steep decline occur? The turnabout in monetary policies, the Iraqi invasion of Kuwait and the structure of the Japanese securities business are all involved. Therefore, I would like to call the current decline the "composite fall."

Regarding the problem created by the confusion accompanying the turnabout in monetary policies, fiscal and monetary authorities must be held responsible, basically.

Until now, the capital market had been on a big rising tide and taking advantage of this force, it wanted to grow rapidly in order to compete with the monetary market so it expanded at an extremely fast pace. The manpower of the securities business practically doubled in the last 5 years. The underlying factors were that it was relatively free, administratively speaking, to establish branches and unlike banks, which were permitted to do TV commercials only since October, securities companies had been airing TV commercials before that to stir up investment interest.

Also, the central bank had created excessive liquidity. Of course, the Bank of Japan alone cannot be blamed for this. Since the Plaza Accord, Japan had been bound to implement the Maekawa report and to promote domestic demand. However, there were only two means to promote domestic demand. One was the use of fiscal measures to reduce taxes or undertake public investments and the other was monetary easing.

At the time, however, Prime Minister Nakasone had boasted that he would stake his own political life on the administrative reform and fiscal means could not be employed. Consequently, the burden fell only on monetary measures and the official discount rate, which had been 5 percent, was lowered by half to 2.5 percent. Furthermore, for about the past 4 years, money supply has averaged a 2-digit increase. In short, if economic activities are growing at only 4 or 5 percent while the money supply is increasing by 10 percent, where will the excess go? Money tends to go to places which are likely to be profitable or to rise and at the time, only Tokyo real estate and stocks appeared likely to rise.

Therefore, the very rich and the corporations bought up real estate in Tokyo while the moderately and slightly rich purchased stocks. Now, today, since the very rich and corporations are in comparatively stronger financial position, they are still hanging on to the land. However,

the moderately and slightly rich have weaker financial strengths so they have dumped the stocks. That is why land prices have not dropped and only stocks have declined.

A slight error in the maneuvering of monetary policies created excessive liquidity which flowed to places that appeared most profitable. Then, the strong-yen recession switched to strong-yen prosperity and the demand for capital gradually emerged. Of course, the original capital demand was met through equity financing but as the capital demand expanded, effective interest rates strengthened.

Furthermore, the yen appreciation hit the ceiling at Y120 in January 1988, after which the drift began toward the cheaper yen. For that reason, with concern over inflation that might be brought about through exchange rates, the Bank of Japan raised the discount rate in several stages. With the increase in March of this year, the rate became 5.25 percent and reverted ultimately to the level before the Plaza Accord. Then, there was the sudden realization that the entire world had changed to high interest rates.

It was a stock market that utilized low interest rates as an incentive to rise but share prices continued to soar in spite of the fact that underlying conditions had worsened drastically. This is probably the reason why prices began to fall sharply after the start of 1990. Possibly, since this is a market which was initiated by monetary easing, it would naturally revert to the former level when the money supply was tightened.

If that is the case, as for the future, since the average share price was Y18,000 immediately prior to the Plaza Accord, the Y18,000-level might be an important benchmark.

Mischief of BIS [Bank for International Settlements] Restraint

Next, in a condition resembling that of the 1965 recession there is an oversupply of financial products. In particular, there is an excess in equity financing. Equity financing amounting to Y60 trillion was undertaken in the past 4 years and in 1989, especially, Y25 trillion worth was carried out in a year.

With only a signature, money was obtained in Switzerland or elsewhere at the low interest rate of 1.5 percent and the money flowed back to Japan. However, the money did not have to be spent immediately. So investments in stocks were considered and this money flowed into the securities market. Then, as share prices rose, the high prices brought forth further equity financing while equity financing, in turn, invited higher stock prices and this cycle continued until the end of last year.

In equity finances, warrant bonds were the most troublesome. Warrants become worthless pieces of paper unless the exchange right for new shares is exercised within a certain specified period which might be 3 years or 5

years. Yet, when share prices are high, the exchange right alone is valued at Y70 or Y100.

In other words, after a warrant bond is purchased and the warrant is detached from the bond, itself, the warrant circulates as a warrant and the bond as a bond. If held in possession, the bond can be cashed in eventually at face value but the warrant might become a scrap of paper after 3 years. These warrants will gradually become mere scraps of paper from about the end of this year.

These warrant bonds were issued in large quantities overseas. For that reason, doubts might arise as to the credibility of Japanese warrant bonds and foreign investors might begin to dump them. Cases might arise where prices of warrants, themselves, might collapse and that might affect stock prices.

As another causal factor in the heavy decline, there is the problem of the BIS restraint. Since outstanding loans constitute a bank's assets, if, for example, it becomes necessary in Europe and the United States "to upgrade the net worth ratio to 8 percent," bad loans are recovered, first, to make the economic position lean and strong. Efforts are made to achieve the 8-percent capital-to-asset ratio through that means.

However, that was not the case in Japan, and if the owned capital was insufficient, efforts were made to enlarge it and a big capital increase was carried out. After the big capital increase, clients were asked to hold the increased portion. Next, in turn, in an arrangement to have banks hold their new shares, clients increased capital by the same amount as the bank shares accepted previously.

In essence, this was playing catchup. In form only, since it is true that capital has increased, both business companies and banks have improved their financial positions through their mutual holdings.

However, to meet the BIS regulation, capital increase alone was inadequate. In the case of the Bank of Japan, hidden assets proved effective.

European and U.S. banks are restricted to financial businesses and cannot possess stocks. However, in Japan, banks can hold up to 5 percent of shares issued. Thus, Japanese banks are large shareholders, too, and some of the larger banks came to possess tremendous hidden assets amounting to Y1.5 or Y2 trillion.

Regarding the hidden assets, after heated arguments in meetings with the BIS, an exception was permitted to have 45 percent of the hidden portfolios counted as capital. Officials were relieved when the capital ratio regulation was satisfied for the March fiscal period of this year, through the hidden assets, but became horrified when 40 percent of it was dissipated by the current slump.

Thereupon, although it was a most unusual concept, they reluctantly contrived what is called the "subordinated bond." A subordinated bond is a loan, which can be



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ASEAN Discusses Collective Oil Supply Plan

*BK0301153891 Jakarta Domestic Service
in Indonesian 1500 GMT 3 Jan 91*

[Text] Representatives of oil corporations from ASEAN countries today began their meeting in Manila to discuss a plan for the collective use of oil in the event of an outbreak of war in the Gulf. The two-day meeting,

attended by the Indonesian Pertamina state oil corporation, will discuss an agreement on the collective use of ASEAN oil if there is a disruption of oil supply.

ASEAN oil producers will allocate part of their production for their fellow ASEAN members, which are oil-importing ones. Indonesia, Malaysia, and Brunei are ASEAN oil-exporting countries, while the Philippines, Thailand, and Singapore are oil-importing ones.

Japan

Tokyo Welcomes U.S. Plan on Talks With Iraq

OW0401015891 Tokyo KYODO in English 0139 GMT
4 Jan 91

[Text] Tokyo, Jan. 4 KYODO—A Foreign Ministry spokesman on Thursday issued a statement welcoming the new U.S. proposal on a foreign ministerial meeting with Iraq in Switzerland between January 7 and 9, officials of the ministry said.

The statement by the spokesman Taizo Watanabe also strongly called for Iraq to accept the new proposal.

Japan welcomed the new U.S. proposal for a schedule of Iraq-U.S. dialogue, and appeals strongly to Iraq to accept the offer, the statement said.

Urges Iraq To Accept Offer

OW0401103791 Tokyo KYODO in English 1002 GMT
4 Jan 91

[Text] Ise, Mie Pref. Jan. 4 KYODO—Prime Minister Toshiki Kaifu urged Iraqi President Saddam Husayn on Friday to accept a U.S. proposal to hold direct talks by January 9.

"Japan and the international community strongly hope that Iraq will accept the talks and opt for a peaceful solution" to the Gulf crisis, Kaifu told a news conference following a New Year's visit to Ise Shrine in central Japan.

It is customary for the prime minister to make his first live media debut each year following a visit to the Ise Shrine, which is dedicated to the sun goddess Amaterasu.

On Thursday, U.S. President George Bush proposed that Secretary of State James Baker and Iraqi Foreign Minister Tariq Aziz meet in Switzerland between January 7 and 9. The U.S. has requested a response by Saturday. The United Nations has authorized use of force in the Gulf if Iraq fails to withdraw its troops from Kuwait by January 15.

On ties with Moscow, Kaifu called on Soviet President Mikhail Gorbachev to show "resolve" in working out a solution to the decades-old territorial dispute over the northern territories. The dispute has impeded the signing of a peace treaty between the two countries.

Kaifu also expressed optimism that a policy of "balanced expansion" of relations would help lead to a solution of the disagreement over ownership of the four islands located east of Hokkaido and occupied by the Soviet Union since the end of World War II. "It is most important that President Gorbachev makes a decision. I hope that as we conduct a balanced expansion of relations by increasing cultural and personnel exchanges, the territorial issue will be resolved," Kaifu said. Gorbachev is slated to visit Japan in April.

Asked whether Japan is prepared to make a compromise at multilateral trade negotiations on its policy of barring rice imports, Kaifu declined to offer anything new. Kaifu said he hoped to gain the understanding of other countries at the Uruguay Round of Multilateral Trade Talks on Japan's policy of growing its own rice, the staple food here. "We will continue to seek cooperation through dialogue," he said. The talks are set to resume later this month.

U.S. Official 'Not Optimistic' on Security Talks

OW0401013491 Tokyo KYODO in English 0035 GMT
4 Jan 91

[By Shiro Yoneyama]

[Text] Washington, Jan. 3 KYODO—The lingering Persian Gulf crisis is reducing the chances of the first two plus two security ministerial talks between the United States and Japan, a senior U.S. official said Thursday.

"We are still trying to arrange to have a two plus two sometime this month," the official said.

The proposed meeting will be attended by Japan's foreign minister and Defense Agency chief and the U.S. secretaries of State and Defense.

"I'm not optimistic," he said. There is a "50-50 chance" that the inaugural meeting of the newly upgraded Japan-U.S. Security Consultative Committee (SCC) takes place at an early date, he added.

The official made the remarks on condition of anonymity following a White House announcement that U.S. Secretary of State James Baker will leave Sunday for talks with allied partners and a possible meeting with Iraqi Foreign Minister Tariq Aziz in Switzerland between January 7 and 9.

Tokyo and Washington had briefly toyed with the idea of having the first two plus two on January 8. U.S. and Japanese officials said they hope to schedule an early two plus two before President George Bush visits Japan early this year. "We would like to do it earlier" than Bush's trip to Tokyo, the U.S. official said.

A high-ranking Japanese diplomat acknowledged that the Gulf crisis has made it very difficult for the two governments to set a date for Bush's official visit to Japan.

The United States agreed last year to a Japanese proposal for upgrading the SCC to full ministerial level to discuss post-cold war relations between the two countries.

The Foreign Affairs and Defense represented Japan at previous SCC meetings, but the U.S. team was led by the ambassador to Japan and the commander in chief of the U.S. Forces in Japan.

MITI To Study U.S. Space Robot Technology

OW0401090791 Tokyo KYODO in English 0821 GMT
4 Jan 91

[Text] Tokyo, Jan. 4 KYODO—The Ministry of International Trade and Industry (MITI) will dispatch a mission to the United States from late January to early February to study feasibility of commercialization of space robots, ministry officials said Friday.

The mission, sent jointly with the Japan External Trade Organization (JETRO), will visit the U.S. National Aeronautics and Space Administration (NASA), Massachusetts Institute of Technology (MIT), and private companies engaging in space robot development, the officials said.

The U.S. leads the world in the development of space robots, which are intended to undertake construction of space stations, investigation of Mars, and other dangerous jobs.

The Government plans to develop space robots that can perceive the situation around them and work in space, they said.

Finance Minister To Visit China 8-11 Jan

OW0401053891 Tokyo KYODO in English 0506 GMT
4 Jan 91

[Text] Tokyo, Jan. 4 KYODO—Finance Minister Ryutaro Hashimoto will visit China from January 8-11, the first tour to the country by a Japanese cabinet member since the Tiananmen Square incident in 1989, ministry sources said Friday.

The schedule is yet to be detailed, but the minister is expected to meet high-ranking officials of the Chinese Government and the Chinese Communist Party in an effort to pave the way for normalized political relations between the two countries.

High on the agenda will be disbursement of Japan's 810 billion yen financial aid to China over a six-year period, frozen after Beijing's crackdown on pro-democracy demonstrators in June 1989, but resumed last year.

Hashimoto will also become the first top-ranking official to visit China among major Western countries, which are moving to lift their economic embargo against Beijing but still retain their ban on official contact with the country. The upcoming visit has not been welcomed by all sections of the Japanese Government, however, political sources said.

Apparently mindful of the possible criticism from overseas, Foreign Ministry sources said that the ban on official contacts with Beijing, agreed on at the Paris Summit of seven-nation economic powers last year, is still in effect and that if Hashimoto visits China, the visit's purpose must be clarified.

Trading Houses Planning Emergency Aid for USSR

OW0401105691 Tokyo KYODO in English 1016 GMT
4 Jan 91

[Text] Tokyo, Jan. 4 KYODO—Japan's six giant trading houses are studying a plan to send 1 billion dollars worth of consumer goods in emergency exports to the Soviet Union, now running short of such supplies, sources at the companies said Friday.

The project was initiated at the request of Toshio Yamaguchi, head of the ruling Liberal Democratic Party's panel on international affairs, following the Government's approval in December of 100 million dollars in loans from the Export-Import Bank of Japan and 1 billion yen worth of emergency food and medical aid through international institutions to the Soviet Union, they said.

Under Yamaguchi's plan, the exports would be paid for in crude oil instead of cash, according to the sources. But it is uncertain whether Moscow will accept the plan because Soviet oil production has been declining rapidly.

Yamaguchi and representatives from the six trading firms will visit the Soviet Union next Thursday or later for talks with Soviet government officials on the plan, the sources said.

The six companies are Mitsubishi Corp., Mitsui and Co., C. Itoh and Co., Sumitomo Corp., Marubeni Corp., and Nissho Iwai Corp.

The six concerns were initially negative on Yamaguchi's proposal, but they are changing their attitudes because of his strong initiative, one of the sources said. "If terms (on exports) are met, and if the six companies line up with them, there would be no choice but to join," the source said.

Trade Deficit With USSR Posted in 1990

OW0401084491 Tokyo KYODO in English 0742 GMT
4 Jan 91

[Text] Tokyo, Jan. 4 KYODO—Japan posted its first trade deficit with the Soviet Union in 16 years last year, as surging imports overwhelmed sluggish exports, an industry association said Friday.

The Japan Association for Trade with the Soviet Union and Socialist Countries of Europe said the trade deficit came to around 900 million dollars.

Japan's exports plunged about 20 percent from 1989 to some 2.5 billion dollars, while imports were estimated at 3.4 billion dollars, a 13 percent jump.

The association said the slower exports reflect hesitancy among Japanese trading houses to make shipments to Soviet companies, many of which are behind on their payments to Japan due to a lack of foreign exchange.

The export figure, down about 500 million dollars from 1989, was about the same as in 1984, when Soviet-bound exports totaled 2,518 million dollars, the lowest amount in the past 10 years. In contrast, encouraged by Moscow's new trade policy, Soviet enterprises boosted shipments to Japan, the association said.

"The active Soviet exports are largely attributable to new trade incentives which give Soviet public corporations and enterprises greater authority and allow them to freely use foreign currencies from their businesses," an official at a major trading house said.

Bilateral trade had been in favor of Japan since 1975, against the backdrop of strong demand from the Soviets for Japan's steel, machines, and other products.

While some analysts view the reversal in bilateral trade balance as a temporary phenomenon, others predict the gap will be hard to reverse, given the ailing Soviet economy.

An analyst said, "Soviet imports will not recover for the foreseeable future, unless there is big economic assistance from foreigners."

JSP Proposes UN Peace Cooperation Bill

OW0401115091 Tokyo KYODO in English 1047 GMT 4 Jan 91

[Text] Tokyo, Jan. 4 KYODO—The Japan Socialist Party (JSP) on Friday announced the outline of a United Nations Peace Cooperation Bill which would allow Japan's participation in UN peace-keeping activities in nonmilitary fields.

The bill proposes establishment of a UN Peace Cooperation Organization and a UN Peace Cooperation Corps to undertake assistance in UN peacekeeping operations. The Self-Defense Forces (SDF) would be excluded from both organizations.

The bill proposed by Japan's largest opposition party deals with the supervision and management of elections, and emergency relief activities in overseas regions suffering natural disasters.

JSP Secretary General Tsuruo Yamaguchi said his party will submit the bill to the regular Diet session to be resumed in late January, after consulting with two other opposition parties, the Komeito and the Democratic Socialist Party (DSP).

The JSP originally announced the outlines of its proposal last October on the heels of a decision by the ruling Liberal Democratic Party (LDP) to present to the month-long extraordinary Diet session a bill which would authorize the sending of noncombat SDF personnel to regions of conflict to support UN peacekeeping operations. But the Government and the LDP abandoned their bill in the face of a united opposition party front and adverse public opinion.

In a related development on Friday, Komeito Chairman Koshiro Ishida urged the Government to establish an organization aimed at cooperating in UN peacekeeping activities in line with an agreement reached last November among the LDP, Komeito, and the DSP.

The LDP and the two opposition parties agreed then to set up a corps to assist UN-sponsored peacekeeping operations within the framework of Japan's war-renouncing Constitution. The JSP, however, refused to join, saying the tripartite agreement did not clearly rule out the possibility of the SDF becoming involved in military aspects of the UN peacekeeping activities.

Mongolia

President Ochirbat Urges 'Tightening Discipline'

OW3112084890 Ulaanbaatar International Service in English 0910 GMT 28 Dec 90

[Text] On December the 27th Mongolian President Ochirbat, Vice President Gonchigdorj, and Prime Minister Byambasuren met with the leaders of the state enterprises, political parties, and movements, and also public formations and organizations. Speaking there, the president said he was satisfied with the cooperation with the political forces for the good of the people and the country. He indicated at the worsened economic situation which can be overcome only by way of (?going) market.

The president said this transition will have to be effected on the basis of the existing economy and there is no turning back. Dwelling on the planned privatization of state property, Ochirbat underlined that the government must provide the guarantee that in this venture it will stick to the principles of social justice and not tolerate class or group discrimination. He noted the vital importance of tightening discipline and order in the country, the lack of which resulted in the tragic accident at the Nalayha coal mine.

In conclusion, concerning the country's foreign situation, the Mongolian president underlined that only internal stability gives us the possibility to win the trust of our foreign partners.

North Korea

KCNA Reviews 4 Jan Pyongyang Press

SK0401085991 Pyongyang KCNA in English 0440 GMT 4 Jan 91

[Text] Pyongyang January 4 (KCNA)—Papers here today carry messages of greetings to Comrade Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea and president of the Democratic People's Republic of Korea, sent by party leaders and heads of state of many countries on the new year 1991.

NODONG SINMUN prints a message of greetings sent by Comrade Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea, to Pierre Buyoya upon his election as chairman of the Central Committee of the Burundi Party of National Unity and Progress.

Foreign newspapers carried "The Workers' Party of Korea Organizes and Guides All the Victories of Our People," a work of dear Comrade Kim Chong-il, says the paper.

The paper reports that the world's progressive people wholeheartedly wish Comrade Kim Chong-il good health and long life, saying that it is a great glory and pride of mankind to have held him in high esteem as a great leader.

Given in the press are accounts of a meeting of members of the League of Socialist Working Youth and young miners of the Komdok mining complex at which they evinced their loyal determination to effect an upswing in the production of nonferrous metal ores upholding the militant tasks put forward by the great leader President Kim Il-song in his new year address and of their torch-light procession.

The press rounds up repercussions of President Kim Il-song's new year address upon officials.

NODONG SINMUN reports that the members of the students' home-visiting group of Choson University of the General Association of Korean Residents in Japan (Chongnyon) who are staying in the socialist homeland held a seminar on the new year address of President Kim Il-song for this year and hardened their loyal determination.

"Let Cheers of Victory Continuously Echo Loudly in Socialist Construction" and "Let Us Accomplish the Historic Cause of National Reunification with United Strength of the Nation" are the respective titles of editorials of NODONG SINMUN and MINJU CHOSON.

Econews of the press includes a report that innovations are being effected in the production of coal and ore from the first day of the new year.

News of the South Korean people's struggle includes reports that South Korean opposition "national assemblymen" demanded the puppet prime minister to stop the "people's fund-raising campaign" and the "CHUNGDAE SINMUN" of Chungang University in Seoul carried an article laying bare the anti-reunification nature of the "Korean national community unification formula".

NODONG SINMUN comes out with a commentary hitting out at the puppet No Tae-u's jargon on the new year.

Major General Choe Ui-ung, senior member of the Korean People's Army and Chinese People's Volunteers side to the Military Armistice Commission [MAC], in a statement to the press answered the questions put by a

KCNA reporter as to the recent U.S. scheme to replace the senior member of the "U.N. Forces" side to the MAC with a South Korean Army "general".

NODONG SINMUN informs the readers that the Cuban paper GRANMA published a commentary denouncing the No Tae-u clique's scheme to perpetuate the division of Korea and carried an article entitled "We Stand Here More Firmly" on the new year.

Papers carry a speech of Comrade Fidel Castro at a closing meeting of the 8th session of the Third National Assembly of People's Power of Cuba under the title "Cuba Greet New Year With Stronger Spirit, Faith and Conviction".

Foreign news columns of the press include reports that the Japanese prime minister in his first press interview on the new year hoped the Japan-DPRK relations would be stable friendly relations and the head of state of Libya condemned the unjustifiable stand and attitude of Israel and Western countries toward the problem of chemical and nuclear weapons, the Burundi president called for maintaining an independent stand and the president of the State of Palestine called for a continued staunch struggle against the Israeli aggressors.

A series of decisions were adopted at the 4th Soviet People's Congress of Deputies, prices rose in Bulgaria and crimes increased in Czechoslovakia, according to the press.

NODONG SINMUN introduces cooperation among Asian countries in many fields and economic briefs from Iran, Syria, Afghanistan, India, Pakistan, Indonesia, Malaysia and Singapore.

MINJU CHOSON carries an article titled "South-South Cooperation Is Important Guarantee for Stepping Up Building of New Society."

NODONG SINMUN in an article under the title "Criminal Act of Creating Danger of Disastrous War" exposes the U.S. imperialists' policy of strength which goes against the trend of the times.

Kim Watches Performances on New Year's Eve

*SK0201034991 Pyongyang Domestic Service
in Korean 2108 GMT 31 Dec 90*

[Text] With the participation of the great leader Comrade Kim Il-song, a meeting to mark the New Year was held by school children in Pyongyang city.

With the participation of Comrade Kim Il-song, the great leader of our party and our people, a meeting to mark the New Year 1991, was magnificently held yesterday by school children in Pyongyang City at Mangyongdae Student Children's Palace.

The Mangyongdae School Children's Palace was brimming with the delight and loyal enthusiasm of school children of seeing in the year of 1991, full of new

victories and glories, having seen out the year of 1990 in which a proud success has been effected in the socialist cause.

When the great leader Comrade Kim Il-song arrived in the palace, the loud acclamations of "Long Life" were heard. Children made a bow for the great leader Comrade Kim Il-song wishing him long life and good health. And, they gave him a bunch of fragrant flowers.

The great leader Comrade Kim Il-song met with students who set a outstanding example in study while upholding our party's study-is-the-best policy. And, he highly praised them for setting an example in study, in proper living for the Juvenile Corps, and in doing many good works. The great leader Comrade Kim Il-song expressed a great satisfaction at watching inventive devices, such as every type of robot and color television set made by team members of the palace, and photos of the son and moon and recorded tapes taken by use of a telescope. And, he had a photo taken with school children.

The meeting to mark the New Year was attended by members of the Political Bureau Presidium of the Central Committee of the Workers' Party of Korea (WPK); members and alternate members of the Political Bureau; secretaries of the party Central Committee; and vice premiers of the Administration Council; chairman of the Supreme People's Assembly; responsible functionaries of friendly parties; members and alternate members of the WPK Central Committee in Pyongyang City; responsible secretaries of central organs, generals of the Korean People's Army; fighters of the anti-Japanese revolution; bereaved families of revolutionary fighters; unheralded persons of merit; and standardbearers of the three revolutions;

The meeting was also attended by Sin Chang-pae, vice chairman of the Central Standing Committee of the General Association of Korean Residents in Japan [Chongnyon]; a delegation of Chongnyon; its members on a visit to the DPRK; Yun I-sang, chairman of overseas headquarters of the pannational federation; overseas compatriots; and representatives of the Pyongyang branch of the South Korean National Democratic Front.

Invited there were also foreign representatives of various countries in our country, officials of embassies, and foreign guests.

A song welcoming his arrival was playing when the great leader Comrade Kim Il-song appeared at a spectator's seat, the palace sounded with stormy applause and acclamation.

Amid songs of pleasure and a ringing of a bell on New Year's Eve, children, representing infinite loyalty and filial duty of children throughout the country, made a New Year's bow to the respected and beloved father, Marshal Kim Il-song who has arranged the 41st meeting

to mark the New Year ranging from the night on the slopes of never-forgotten Mt. Haebang to this happy night in Mangyongdae.

The children's dance, "First-Grade Chol-nam and Time"; "Chorus and Dances" by school children of Korean residents in Japan, "Flag of the Republic"; the sports dance, "On Mt. Changja"; a woman's solo song, "Flower Violet"; and the chorus "The Great One"; and others were performed on the stage.

Those performers emotionally show the happy scene of school children who are training to gain knowledge, virtue, and health under the most superior socialist system of our country, and the firm determination to reliably inherit the chuche-oriented cause by preparing themselves to be the next generation of the revolution who are infinitely loyal to the party and the leader.

When the performances ended, the great leader Comrade Kim Il-song saluted the enthusiastic acclamations of spectators, and praised the school children for the success in their performances.

Reaction to Kim Chong-il's Reply to Poets

SK0101104291 *Pyongyang KCNA in English*
0719 GMT 1 Jan 91

[Text] *Pyongyang January 1 (KCNA)*—The Korean working people are overwhelmed with boundless emotion upon hearing the stirring news that dear Comrade Kim Chong-il sent a reply on December 27 to the letter of poets of the Korean Literary Production.

In his reply letter, Comrade Kim Chong-il congratulated all the comrades of the production on the new year and hoped that they will be an eternal companion, a faithful helper and a good adviser in the building and activities of our party.

A meeting of producers and artistes in the domain of literature and arts was held at the People's Palace of Culture Monday to resolve to repay his deep trust and expectation with loyalty.

The reply letter was read out at the meeting.

Then followed speeches.

The speakers said that all writers and artistes who received the significant reply letter find it hard to calm their thrilling hearts for the boundless national pride and honor of making revolution under the wise leadership of the party, while reading each clause of the letter.

They stressed that in 1990, a significant year, alone, dear Comrade Kim Chong-il gave personal guidance in some 100 poems and words of songs written by poets and highly estimated the long poems "People Tell" and "Our Pride" and the words of song "Pyongyang, My Love" and other works, encouraging the poets in their creative activities.

Writers and artistes, they declared, will be an eternal companion, helper and defender of the party, in which way the wind may blow.

The speakers pledged to add shine to the era of the Workers' Party and reliably serve socialist construction by producing many literary and art works of higher ideological and artistic plane required by the party and revolution.

Kim Il-song Meets Visiting Chongnyon Students

*SK0201043291 Pyongyang Domestic Service
in Korean 2108 GMT 31 Dec 90*

[Text] The great leader Comrade Kim Il-song met with the fatherland-visit delegation of students of Korean University of the General Association of Korean Residents in Japan [Chongnyon] and with the school children's art troupe in Japan, and had a commemorative photo taken with them.

The great leader Comrade Kim Il-song met with the fatherland-visit delegation of students of Korean University of Chongnyon and with the school children's art troupe in Japan, who are staying in the socialist fatherland.

On hand there were Comrade Yun Ki-pok, Choe Yong-hae, chairman of the League of the Socialist Working Youth of Korea, and Choe Ki-yong, chairman of the Education Committee. Also on hand was Sin Sang-pae, vice chairman of the Chongnyon Central Standing Committee, who is staying at the the socialist fatherland.

Students gave a bunch of flowers to the great leader Comrade Kim Il-song, made him a New Year bow, and wished the leader long life and good health.

The great leader Comrade Kim Il-song held warm dialogues with the Korean students in Japan, and had a commemorative photo taken with them.

Kim Il-song Sends Greetings to Chongnyon Leader

*SK0201061591 Pyongyang KCNA in English
0536 GMT 2 Jan 91*

[Text] Pyongyang January 2 (KCNA)—The great leader president Kim Il-song sent a message of greetings to Han Tok-su, chairman of the central standing committee of the General Association of Korean Residents in Japan (Chongnyon), on the New Year 1991.

He said that last year Chongnyon officials and Koreans in Japan thoroughly defended and implemented the chuche-based line of the overseas compatriots movement without vacillation under the complicated circumstances and honourably carried out the patriotic tasks of the first year set forth by the 15th congress of Chongnyon.

He went on to say:

Chongnyon officials and compatriots have firmly safeguarded the socialist motherland from all manner of

manoeuvrings of the enemy and displayed patriotic zeal and creative wisdom for the development and prosperity of the motherland.

Chongnyon has made a great contribution to accelerating the independent and peaceful reunification of the country and developing relations between Korea and Japan by vigorously waging all-compatriotic movement for national reunification and strengthening the bonds of friendship with the Japanese people.

He highly estimated fine achievements made by Chongnyon officials and compatriots in singlehearted unity in all the patriotic tasks of Chongnyon with unchangeable loyalty to the socialist motherland last year.

Noting that Chongnyon officials and compatriots in Japan are faced with the task to further develop the movement of Koreans in Japan which has entered a turning point, president Kim Il-song says:

Chongnyon should continue to deepen the work of establishing the ideological system of chuche within its organisations and constantly improve its work system and method in keeping with the changed reality and thoroughly implement the mass line to educate and win over more compatriots.

Chongnyon organisations and officials should intensify ideological education with the education in the chuche idea as its main content among young compatriots, further enhance the function and role of the organisations of the league of Korean youth in Japan to firmly prepare the younger generation to be reliable successors to the patriotic cause.

Chongnyon should conduct more vigorously the struggle to realize the just peace overtures of the government of the republic and its proposals for national reunification as an all-compatriot movement and support and encourage in every way the righteous struggle of the South Korean people for independence, democracy and national reunification.

It should strengthen friendship and solidarity with the Japanese people and conduct the movement for solidarity with the progressive people of the world so that they may support and encourage our just proposals for national reunification and the cause of socialist construction.

Kim Il-song Receives Chongnyon Leader's Message

*SK0201062991 Pyongyang KCNA in English
0544 GMT 2 Jan 91*

[Text] Pyongyang January 2 (KCNA)—The great leader Marshal Kim Il-song received a message of greetings from Han Tok-su, chairman of the central standing committee of the General Association of Korean Residents in Japan (Chongnyon), on the New Year 1991.

Last year the people in the homeland demonstrated the invincible might of the singlehearted unity of the leader,

the party and the masses and turned out in the grandiose construction work, giving full play to the incomparable superiority of our own style socialism, Korean-style socialism, Han Tok-su said, and continued:

Our people's movement for national reunification has entered a new higher stage.

You the great leader firmly defended socialist principle and powerfully encouraged the world people's cause of independence, so that the international prestige of Korea has been exalted and a phase of turn opened for the improvement of Korea-Japan relations which had been in an abnormal state for a long time.

Last year the respected leader Marshal Kim Il-song instilled a firm confidence in *chuche* in Chongnyon officials and compatriots in Japan and wisely led the patriotic work of Chongnyon to a new progress.

In the New Year we will more firmly establish the ideological system of *chuche* within Chongnyon, strengthen as firm as a rock the unity and cohesion of the ranks of officials and build up the Chongnyon organisation to be a mighty patriotic organisation rooted among compatriots.

We will direct special efforts to help compatriots of all strata live a life befitting overseas citizens of the Republic, and give rise to the patriotic enthusiasm of compatriots in Japan to make them resolutely defend the socialist homeland and actively contribute to its prosperity and development.

We will strengthen great national unity with compatriots in the North and South of the homeland and abroad and support and encourage the righteous patriotic struggle of South Korean people in every way, upholding the proposals for national reunification put forward by you the great leader, and thus contribute as masters to achieving national reunification through the foundation of the Democratic Federal Republic of Koryo in the 1990's.

We will more actively develop external activities toward the Japanese people to make a contribution to an earlier normalization of Korea-Japan relations and further strengthen international solidarity with the progressive people of the world so as to expand the ranks of supporters and sympathizers with the cause of *chuche* and the cause of national reunification.

Han Tok-su wholeheartedly wished Marshal Kim Il-song good health and long life, carrying the loyalty of the entire Chongnyon officials and compatriots in Japan.

Kim Chong-il Receives Chongnyon Leader's Message

SK0201084291 *Pyongyang KCNA in English*
0559 GMT 2 Jan 91

[Text] *Pyongyang January 2 (KCNA)*—Dear Comrade Kim Chong-il received a message of greetings from Han Tok-su, chairman of the central standing committee of

the General Association of Korean Residents in Japan (Chongnyon), on the occasion of the new year 1991.

The year 1990 was a year when the glory of *chuche* Korea was exalted and a new progress was made in the struggle for national reunification under the wise guidance of the great leader Marshal Kim Il-song and the dear leader Comrade Kim Chong-il, the message says, and continues:

The people in the homeland under the tested guidance of you, the dear leader Comrade Kim Chong-il, have registered successes in the work to increase the economic potential of the country and better the people's living, smashing the anti-socialist, anti-DPRK campaign of the imperialists.

The driving force of national reunification has firmly been built among the overseas Koreans, the struggle of the South Korean people for anti-U.S. independence and national reunification has gained further momentum, the international authority of our republic has been further raised and a new turn effected for normalisation of DPRK-Japan relations.

You the dear leader have clearly indicated the direction of the work and concrete tasks and ways to further strengthen Chongnyon organisations, improve and develop all the patriotic work and give a steadfast continuity to the movement of Koreans in Japan in keeping with the obtaining situation and changed reality and bestowed particular solicitude on Chongnyon officials and compatriots.

The message further says:

We will firmly defend the socialist homeland with patriotic zeal and united strength of the Korean residents in Japan and make a positive contribution to its prosperity and development and firmly safeguard all the democratic national rights of the compatriots including the citizenship of the DPRK.

We will further strengthen great national unity with the compatriots at home and overseas and support in every way the righteous struggle of the South Korean people for independence, democracy and reunification and thus contribute to the national cause of making the 90s a decade of national reunification, upholding the proposal for founding the democratic confederal republic of Koryo and the five-point policy of national reunification put forward by the great leader Marshal Kim Il-song.

We will actively promote external activities toward the Japanese people to meet the requirements of the developing situation in which a new phase has been opened in the normalisation of DPRK-Japan relations and make a greater contribution to winning more support of the world people for our people's cause of national reunification.

Han Tok-su wholeheartedly wished comrade Kim Chong-il good health and long life.

'Mindan' Koreans in Japan Greet Kim Il-song

SK0401085391 Pyongyang KCNA in English
0416 GMT 4 Jan 91

[Text] Pyongyang January 4 (KCNA)—The great leader President Kim Il-song received messages of greetings from "Mindan"-lining Koreans residing in various places of Japan and South Koreans staying in Japan on the occasion of the new year 1991.

In the messages, they extend sincere and warm greetings to president Kim Il-song on the new year 1991.

They wholeheartedly wish him good health and long life for national reunification and eternal prosperity of the country.

'Mindan' Koreans in Japan Greet Kim Chong-il

SK0401085191 Pyongyang KCNA in English
0417 GMT 4 Jan 91

[Text] Pyongyang January 4 (KCNA)—Dear Comrade Kim Chong-il received messages of greetings from "Mindan"-lining Koreans living in various places of Japan and South Koreans staying in Japan on the occasion of the new year 1991.

The messages warmly congratulate the sagacious leader Mr. Kim Chong-il, the great master of ideology and theory.

They sincerely wish Mr. Kim Chong-il good health and long life.

Kim Il-song Receives Message From South Group

SK0201083391 Pyongyang KCNA in English
0552 GMT 2 Jan 91

[Text] Pyongyang January 2 (KCNA)—The great leader President Kim Il-song received a congratulatory message from the central committee [CC] of the "National Democratic Front of South Korea" (Hanminjon) on the new year 1991.

The message noted that last year was a year of proud victory and advance in which the banner of socialism fluttered more vigorously in Korea and the trend of reunification surged higher than ever before in the three thousand ri land under the outstanding guidance of the great leader.

It was thanks to the invincible might of the unity of the leader, the party and the masses in politics, ideology and moral obligation that Korea could exceptionally accelerate the socialist construction in spite of the anti-socialist, anti-DPRK manoeuvres of the imperialists and their lackeys, it said, and went on:

Last year you the great leader wisely led the struggle to accomplish the cause of reunification with the result that the reunification movement greeted a period of new historical turn of its upsurge on a nationwide scale.

The struggle of people of various strata to achieve the reunification through an alliance with communism and the North became an irresistible trend of the time in the South and their struggle for anti-US independence and anti-fascist democracy to put an end to the US imperialists' colonial domination and the one man dictatorship of pro-American group of traitors raged furiously.

The dynamic advance of the three movements for independence, democracy and reunification last year was a result of the great chuche idea, the message stressed.

Recalling that "Hanminjon" has grown to be an invincible patriotic vanguard which firmly maintains the oneness of the ideology and leadership and struck its roots deeper among broad masses, the message noted: The doom of the colonial fascist forces is inevitable while the patriotic democratic forces are sure to emerge victorious.

In the new year, too, we will push ahead with the work of awakening and organising people of various strata and intensify and popularize the anti-US, anti-dictatorship struggle and the movement for national reunification in order to terminate the colonial fascist rule and "two Koreas" plot of the US imperialists and their stooges and thereby unfailingly adorn the new year with greater victory, the message noted, and concluded:

The C.C., "Hanminjon", representing the best wishes of all vanguard fighters and patriotic people of all walks of life in the South, wholeheartedly wishes President Kim Il-song good health and a long life.

Kim Chong-il Receives Message From South Group

SK0201084891 Pyongyang KCNA in English
0607 GMT 2 Jan 91

[Text] Pyongyang January 2 (KCNA)—The central committee of the South Korean National Democratic Front (Hanminjon) sent a congratulatory message to dear Comrade Kim Chong-il on the occasion of the new year 1991.

The congratulatory message says that Comrade Kim Chong-il built up high a new tower of feats on the road of the chuche cause, confidently leading Korea of chuche along the path of anti-imperialist independence and socialism with his outstanding leadership last year.

The Northern half of the Republic under the people-centred politics of Comrade Kim Chong-il is the peculiar socialist system under which everyone is leading an independent political life, an evenly bountiful material life and a sound and rich mental and cultural life, the congratulatory message points out, and goes on:

The brilliant achievements and proud reality of the North which the world people envy eloquently prove that people, when they are under the guidance of a great leader, can win fame as a great people, a great nation who triumphantly advance, without vacillation in any storm, along the one road of accomplishing the cause started by the leader.

Even under the bayonet suppression by the U.S. imperialists and the South Korean military dictator group, mass movement organisations have made their appearance one after another throughout the whole area of the South and on their organisational basis the struggle of people of all strata for vital rights and democratic freedom has been linked to the anti-US and anti-dictatorship political struggle and developed into a joint solidarity struggle, so that the people's movement has seen a new turning point and the driving force of the South Korean revolutionary movement grew a hundred times.

We Hanminjon will take good advantage of the fast changing political situation, upholding the ever-victorious militant banner, the banner of the chuche idea, to bring our people's continued movement for independence, democracy and reunification to certain victory.

The congratulatory message wholeheartedly wishes Comrade Kim Chong-il a long life in good health.

Yon Hyong-muk Greets New Lebanese Premier

*SK0201065191 Pyongyang KCNA in English
0615 GMT 2 Jan 91*

[Text] Pyongyang January 2 (KCNA)—Yon Hyong-muk, premier of the Administration Council, sent a message of greetings to Omar Karami upon his appointment as premier of the Republic of Lebanon.

Expressing the belief that the friendly and cooperative relations forged between the two countries will continue to grow stronger and develop, the message wishes him success in his responsible work.

Yon Hyong-sop Greets FRG Parliamentary Speaker

*SK0201064991 Pyongyang KCNA in English
0617 GMT 2 Jan 91*

[Text] Pyongyang January 2 (KCNA)—Yon Hyong-sop, chairman of the Supreme People's Assembly, sent a message of greetings to Mrs. Rita Suessmuth upon her reelection as parliamentary speaker of the Federal Republic of Germany.

Believing that the friendly and cooperative relations between the parliaments of the two countries will further strengthen and develop, the message sincerely wishes her great success in her responsible work.

NODONG SINMUN Marks Cuban Revolution

*SK3112103190 Pyongyang KCNA in English
1006 GMT 31 Dec 90*

[Text] Pyongyang December 31 (KCNA)—NODONG SINMUN today warmly congratulates the fraternal Cuban people on the 32nd anniversary of the victory of the Cuban revolution.

Saying that the victory of the Cuban revolution was the fruition of the sanguinary struggle of the Cuban revolutionaries and people who have courageously fought for freedom and liberation, surmounting bitter ordeals, the paper continues in a by-lined article:

The victory of the Cuban revolution was a historical event in which socialism has been expanded to the Western hemisphere and taken roots.

It vividly proves the truth that any formidable imperialism is powerless before the people who have risen up with arms in their hands.

The U.S. imperialists who have made desperate efforts to stifle the Cuban revolution from the first days of its victory are recently conducting a more vicious anti-Cuban campaign.

The heroic Cuban people are maintaining the principle of socialism, courageously smashing the challenge and obstructive moves of the international reactionary forces including the U.S. imperialists.

The party and government of Cuba are calling upon the people to give full play to the spirit of self-reliance and hard struggle to provide for the "special period of peaceful time" and putting up the slogan: Let us develop the economy with main emphasis on agriculture. Today the fraternal Cuban people are working hard to successfully fulfil the Third Five-Year Plan with the Fourth Congress of the Communist Party of Cuba in the offing.

The triumphant advance of the Cuban revolution shows that no force on earth can check the advance of the people who have unshakable conviction of socialism and who are fighting rallied close around the party.

The Korean and the Cuban people are class brothers, comrades-in-arms and comrades who are firmly related to each other in the struggle to build socialism against the common enemy. The party, government and people of Cuba are sincerely supporting the just cause of the Korean people, keeping the revolutionary principle and comradely obligation as ever as they did.

Our party and people, regarding the cause of the Cuban people as their own, are extending full support and solidarity to it. Everlasting is friendship and solidarity between the Korean and the Cuban people, which have been firmly consolidated in the struggle for the common ideal and purpose against the common enemy.

The Korean people wholeheartedly wish the Cuban people more brilliant success in their future struggle to defend the gains of revolution and step up socialist construction under the uplifted banner of socialism.

Editorial Exhorts People on 'Socialist March'

SK0201085891 Pyongyang KCNA in English
0618 GMT 2 Jan 91

[Text] Pyongyang January 2 (KCNA)—NODONG SINMUN today editorially calls upon the entire party members and the working people to turn out as one in the worthwhile socialist march of the new year and to adorn this year again with great victory and proud achievements under the guidance of the party and the leader.

The respected leader Comrade Kim Il-song in his new year address summed up with pride the achievements gained in the struggle to consolidate and develop socialism in our country and bring its advantages into full play last year under the guidance of the party and put forward the militant tasks facing our party and people this year.

The new year address of the great leader Comrade Kim Il-song is a militant programme that opened a more bright prospect for the revolutionary struggle of our people who are dynamically advancing under the banner of the chuche idea and a great program for national reunification which makes it possible to bring a historic turn in the accomplishment of the cause of national reunification, the cherished desire of the nation, the editorial stresses.

Elaborating on the great upsurge effected by our people in the revolution and construction last year, the editorial continues:

Entering the new year, our people are faced with a heavy yet honorable task to make this year a most brilliant year in the history of the struggle of our party and people.

The respected leader Comrade Kim Il-song has taught in his new year address:

"This year, we are faced with a heavy task of displaying higher the advantages of socialism in our country by forcefully accelerating socialist construction to meet the requirements of the present situation and our developing revolution."

In order to bring the superiority and vitality of socialism of our own style into full play, the editorial emphasizes, it is necessary to hold higher the banner of the chuche idea and continue to push ahead with the three revolutions, ideological, technical and cultural.

Our major tasks in the construction of the socialist economy this year are to attain high and steady rate of production by keeping those economic sectors which must lead the other sectors going well ahead of the latter and by making effective use of the economic foundations that have already been laid, and to improve the people's material and cultural life to meet the requirements of socialism, the editorial says. It points in detail to the ways of carrying them out.

Noting that to vigorously accelerate the cause for the independent and peaceful reunification of the country is a sacred task facing the entire Korean people, the editorial says:

In order to achieve national reunification at an earlier date it stands out as a matter of principle to guarantee peace on the Korean peninsula and create peaceful preconditions for national reunification.

Should the South Korean authorities truly proceed from the stand of reunification and dialogue, they must not turn away from the question of removing military confrontation or try to delay its solution but unhesitatingly respond to the adoption of a nonaggression declaration and discontinue the "Team Spirit" joint military exercises.

The United States must look squarely at our sincere efforts for peace and the Korean people's ardent desire for reunification, give up its war policy, accede to our proposal of signing a peace agreement and withdraw its troops and nuclear weapons from South Korea.

In his new year address the great leader Comrade Kim Il-song pointed out the unjustifiable nature of the South Korean authorities' talk about "unification of systems" and "unification through absorption" and said to reunify the country through confederation based on one nation, one state, two systems and two governments is a great principle of defining the way of national reunification suited to the present conditions of our country.

In order to apply this great principle it is necessary to carry into practice the proposal for founding a democratic confederal republic of Koryo.

To continuously uphold our party's anti-imperialist, independent foreign policy is an honorable task facing our people this year, the editorial stresses:

The world's revolutionary people must not be deceived by the imperialists' honeyed words about "an end to the cold war" and "advent of an era of peace" but see through their aggressive design to expand their domination all over the world, smash their "peaceful transition" strategy, and not be allured by their deceptive "aid" and "cooperation" but vigorously struggle against imperialism and for independence.

This year, too, the government of our Republic will make all efforts to develop friendly and cooperative relations with the peoples of socialist countries, non-aligned and other countries in the world on the basis of the foreign policy of independence, peace and friendship.

The government of our Republic will make particular efforts to develop friendly and cooperative relations with the peoples of Asian countries so as to build an independent, peaceful and prosperous new Asia.

Editorial Urges Upholding Socialist Law

SK2912133790 Pyongyang Domestic Service in Korean
0012 GMT 27 Dec 90

[NODONG SINMUN 27 December editorial: "Let Us Vigorously Accelerate Socialist Construction With the Pride of Having a Superior Socialist Constitution"]

[Text] Today, we dramatically mark the 18th anniversary of the DPRK socialist Constitution promulgated by the great leader Comrade Kim Il-song and Socialist Constitution Day.

Now, party members and working people are brimming over with the great pride of living and carrying out the revolution under the most superior socialist Constitution, and they are firmly resolved to further consolidate the socialist system by strengthening a socialist law-abiding life.

The great leader Comrade Kim Il-song enacted and promulgated the socialist Constitution 18 years ago. This was a great event which has had historic importance in carrying out our revolutionary cause and in leading our people to enjoy political life.

Comrade Kim Chong-il, member of the Political Bureau Presidium and secretary of the party Central Committee, has noted: Our country's socialist Constitution is a chuche-oriented political charter. In addition, the great victory and success, effected by our people in revolution and construction, are legally bounded in the socialist Constitution, and the various principles for the life of the country and society and the important tasks arising in carrying out the socialist and communist cause are regulated by the socialist Constitution.

Correctly enacting and embodying a socialist law is a very important demand for consolidating and developing a socialist system and for accelerating revolution and construction. A socialist law is a powerful weapon which firmly maintains, consolidates, and develops the system of the country and society and which accelerates the construction of socialism and communism. Thus, only when a superior socialist law is enacted and when its regulation and control and its functions of culture, organization, and mobilization are enhanced, can the socialist system, which has been secured by the blood and sweat of the people, be firmly maintained and can the revolutionary cause be victoriously advanced.

The great leader Comrade Kim Il-song attached great importance to the role of socialist law to carry out the revolution and construction, and enacted the most superior socialist Constitution on the basis of the principle of the chuche idea and of the rich experiences of our revolution.

The achievements and success, effected by our people in socialist construction under the wise leadership of the party and the leader, are legally secured in the socialist Constitution. And, the various principles for the life of the country and society and the tasks of our revolution

are regulated by socialist Constitution. Accordingly, the socialist Constitution has been the chuche-oriented political charter which consummates the independent rights and interests of our people.

Dear Comrade Kim Chong-il has published various documents, including "On Strengthening Socialist Law-Abiding Life," thus giving scientific answers to questions arising in applying the socialist Constitution. In addition, he has wisely led efforts to enhance the function and role of socialist law and to strongly establish the revolutionary law-abiding ethos throughout the country.

In the work to enhance the function and role of socialist law and to embody it, great success has been effected for the past period under the wise leadership of the party and the leader. By consolidating the system of the state and society as required by the socialist Constitution and by thoroughly establishing revolutionary law-abiding ethos, we have strengthened the power of the socialist system in our country, and effected great advances in revolution and construction.

In addition, by strengthening the function and role of socialism as a weapon in the class struggle, we have smashed the imperialists' vicious offensives against socialism, thus firmly defending our socialism. Thereby, a great advance has been effected in vigorously carrying out the three revolutions in the struggle to embody the socialist constitution, in making all members of society revolutionary and in assimilating them into the working class, and in accelerating the socialist economic and cultural construction.

Indeed, the socialist Constitution has been thoroughly embodied under the wise leadership of the party and the leader. Accordingly, our people have been able to have great honor as the dignified people of an independent socialist country, and they have vigorously demonstrated the matchless superiority of our own style of socialism embodying the chuche idea.

Today, our people are assigned the honorable task of vigorously accelerating socialist construction by thoroughly establishing the spirit of upholding revolutionary law while consolidating the already achieved success in exemplifying the socialist constitution.

All party members and working people should, above all, further deeply cherish their pride in living and in carrying out the revolution under the most superior socialist constitution.

Superiority of a law depends on how the law can thoroughly and legally defend the independent rights and interests of the popular masses. The superiority of the socialist Constitution precisely lies in thoroughly defending the independent rights and interests of our people. Party members and working people should deeply grasp the chuche-oriented, people-minded, and revolutionary characteristics of our country's socialist Constitution, which was enacted on the principle of defending the interests of the popular masses.

It is important to be conscious of the superiority of our country's socialist Constitution by linking it with the wise leadership of the party and the leader. Our socialist Constitution is people-minded and revolutionary; this is because the great leader's chuche-oriented legislative ideology and our party's immortal achievements have been embodied in our socialist construction.

The party members and working people should take pride and have confidence in the socialist Constitution more deeply, which guarantees them the right to enjoy independence and to fully play a creative role. In addition, they should warmly cherish the wise leadership of the party and the leader who has enacted such a superior socialist Constitution and has led them to brilliantly comprehend it.

In order to establish a revolutionary law-abiding ethos throughout the country, all working people should also thoroughly set up the ethos of consciously abiding by the law and regulations of the country.

As dear leader Comrade Kim Chong-il pointed out, the masters of the lawful socialist life are the working people of socialism, and the lawful socialist life is a conscious law-abiding life. All working people should be conscious that abiding by and following laws and regulations are the sacred duty of the people of the DPRK, and should consciously and sincerely abide by the laws and regulations of the country, including the socialist Constitution.

In particular, it is important to consciously abide by laws and regulations of the country in socialist economic construction. We should enhance the leading role of state-ownership as required by the socialist Constitution; should constantly consolidate and develop the socialist cooperative economy system; should display the superiority of the socialist planned economy; and should scientifically and reasonably carry out an economic management act as required by the Taehan work system.

By so doing, we should firmly consolidate the socialist economic system and further strengthen the independent national economy. In addition, we should strengthen the planned discipline of the national economy, utilize 480-minute working hour [as heard] to the maximum, thereby effecting a production upsurge in all domains and all units.

In particular, we should create innovation in the key industrial domains, including the mining, metal, and electricity industries. To this end, we should vigorously struggle to increase production in all domains, including light industry and agriculture. It is urgent that all organs and enterprises vigorously support agriculture and carry out the task of land cultivation in a timely manner, upholding the party's slogan calling on all the people to turn out in the struggle for land cultivation.

Indoctrination to a law-abiding life among the working people should be strengthened. A key to achieving success in a life of abiding by socialist law is how the indoctrination to the law-abiding life is conducted among the working people.

Units should get the working people to understand the people-minded and revolutionary nature, the superiority, and the meaning of our country's socialist law. Thus, the working people should acquire a correct position and attitude toward socialist law.

Additionally, units should also see to it that the working people properly know the socialist Constitution, which is a basic law of the country; laws concerning other areas in which socialist construction has been applied; and provisions of the laws and regulations concerned. In addition, units should see to it that the working people consciously act according to and thoroughly abide by in a lawful manner, as required by laws and regulations.

It is important to enhance the roles of legal guidance personnel in briskly carrying out indoctrination in the system set up by the party to uphold socialist law. Legal guidance personnel should take deep pride in being positive supporters and propagandists for the law of our Republic, and should steadily carry out the work of explaining and propagandizing the law among the masses in various ways.

In comprehending socialist law, the work of creating a positive model and of generalizing it should be properly conducted. In particular, the work to comprehend a socialist law should be firmly turned into a work of the masses themselves, by vigorously launching the campaign to earn the title of a meritorious law-abiding county. In addition, a great many positive models of abiding by a socialist law should be created.

Correctly organizing and guiding a life in upholding socialist law are important functions of the people's regime. The organs of the people's regime should properly carry out the work of enacting a law and completing it in keeping with the demand of reality. At the same time, they should thoroughly adhere to the party-minded stand, the working class-minded stand, and the state stand in explaining and applying the law.

In particular, the function and role of the Socialist Law-Abiding Life Guidance Committee should be enhanced, so that all domains and functionaries should thoroughly carry out work as required by laws and regulations. By so doing, the entire society should overflow with the sentiment of upholding revolutionary law.

Strengthening the party's guidance toward a socialist law-abiding life is a firm guarantee for thoroughly establishing a revolutionary law-upholding ethos throughout the country.

According to the party's policy, party organizations should put forward the correct direction for law-abiding

acts by the organs of the people's regime, and should support the organ of the people's regime to carry out the lawful acts.

Along with this, the party organizations should see to it that the organs of power carry out the work of establishing a law from the standpoint of being the masters. In addition, the party organizations should positively support the lawful acts of functionaries in the organs of the people's regime.

All party members and working people should consolidate and develop our country's socialist system and effect a new upsurge in socialist construction, by thoroughly establishing the ethos of abiding by revolutionary law throughout the country.

South Korea

Yi Sang-ok Comments on New SOFA Agreement

SK0401061391 Seoul YONHAP in English 0515 GMT 4 Jan 91

[Text] Seoul, Jan. 4 (YONHAP)—The new Status of Forces Agreement (SOFA) signed Friday will set a positive precedent by demonstrating that South Korea and the United States can reach satisfactory solutions through negotiation and cooperation, Foreign Minister Yi Sang-ok said after signing the agreement with U.S. Ambassador Donald Gregg.

The SOFA revisions, made 24 years after the first SOFA was concluded in 1966, carry significant meaning in regard to Korea-U.S. relations and "show that the Korea-U.S. cooperative ties are maturing based on respect and friendship," Yi said. The new SOFA agreement, completed after a two-year-long review, calls for giving Korea wider jurisdiction rights on offenses committed by U.S. Forces in Korea personnel.

The changes chiefly expand local authorities' right to question and investigate suspects and eliminate automatic waivers of Korean criminal jurisdiction over U.S. servicemen. "Working strongly behind the agreement was a common understanding between people of the two sides that eliminating sensitive elements of friction will contribute to bilateral cooperation and benefits," Yi said. "It is all the more important to maintain traditional ties amid sweeping global changes, and diplomatic progress with the United States will continue to be Korea's priority theme."

Justice Ministry To Press Expanded Jurisdiction

SK0401100591 Seoul YONHAP in English 0932 GMT 4 Jan 91

[Text] Seoul, Jan. 4 (YONHAP)—South Korea will make vigorous use of its expanded legal jurisdiction over crimes committed by U.S. military personnel under the revised Status of Forces Agreement (SOFA) signed on Friday, according to Justice Ministry officials.

They said 0.19 percent of the U.S. servicemen suspected of crimes between January and September last year were brought to trial, or 13 out of 955 Americans, including 813 soldiers.

As the new SOFA recognizes Korea's primary jurisdiction in offenses before suspects are handed over to U.S. military authorities, the ministry will reserve cells exclusively for foreigners. Under the revised SOFA, Korean authorities will have the right to control an investigation before a suspect is turned over to U.S. custody. The U.S. side will also hand over a suspect to Korean officials upon request, unless specifically prohibited.

Korean authorities also have jurisdiction over minor offenses, including traffic accidents. The old SOFA restricted legal action to serious crimes such as security breaches, murder, armed robbery and sexual assaults. The ministry will assign more prosecutors to SOFA cases and conduct reorientation education for prosecutors this year, they said. There are 43,000 U.S. servicemen stationed in Korea under a mutual defense treaty.

Soviet Foreign Ministry's Rogachev Interviewed

SK0401064591 Seoul TONG-A ILBO in Korean 3 Jan 91 p 3

[Special New Year's written interview with Igor Alekseyevich Rogachev, first deputy foreign minister of the Soviet Union]

[Text] "Foreign Minister Eduard Shevardnadze approved your paper's request for an interview. I feel honored that my interview will be carried by the ROK's authoritative and leading newspaper, TONG-A ILBO, on the occasion of the New Year. I hope that this interview will contribute to promoting mutual understanding between the peoples of the ROK and the Soviet Union. I am truly very happy to have the opportunity to convey my opinion on ROK-USSR relations; on the situation on the Korean peninsula; and on the overall issues in Asia and the Pacific region. First of all, I send warm greetings to the ROK people on the occasion of the New Year and I hope that there will be peace and prosperity in the ROK. Last year was an amazing year. The year 1990 was a historic turning point in the relations between our two countries. Presidents Mikhail Gorbachev and No Tae-u met twice last year. The ROK-USSR summit talks held last December in Moscow and the declaration of the fundamental principle in relations between the two countries, paved a magnificent basis in the overall cooperative development between the two countries. In starting the new decade, we must examine the "bundle of thought" which is necessary if we are to travel into the future. We will travel together. We will achieve global unity and by recognizing the existing reality, we call for the need to continue to respect the freedom of choice by all countries which is to maintain man's peace and prosperity. This can be achieved only by completely giving up the policy based on military might and the armament race. In order

to resolve all issues, the two camps of the East and West must abide by this kind of precondition. The Soviet Union believes that it must construct a "community" in Europe and a peaceful joint society in Asia so that ultimately a new structure can be brought about in Eurasia—a structure of peace and security cooperation. We are of the firm conviction that the good neighborly friendship, trust, and mutual understanding, which are being developed in the ROK-USSR relations, will be an inevitable element in this new structure."

[TONG-A ILBO] Last year, two divided countries, Germany and Yemen, became reunified. Regarding Korea's reunification there are various proposals for reunification such as the Korean commonwealth proposed by South Korea and North Korea's proposal to found a Koryo confederal system. What method do you think is ideal for reunification?

[Rogachev] "We believe that North and South Korea must agree on the method of reunification through mutual dialogue and must be able to reach a compromising point in each other's positions. The Soviet Union is prepared to support any kind of method for reunification if it satisfies North and South Korea and if it is in accord with the will and interest of the whole Korean nation. Whatever the case, the restoration of national unity must be achieved on a peaceful and democratic basis without interference from outside forces."

[TONG-A ILBO] In the 1988 Krasnoyarsk declaration, President Gorbachev proposed to hold a meeting among the Northeast Asian countries to reduce armaments, settle peace, and to ease tension in this region. Especially, considering that the Korean peninsula is the most tense area in this region, do you have any intention of acting as a mediator for a meeting to enhance trust and to achieve disarmament between North and South Korea even before this kind of meeting is held?

[Rogachev] "In connection with the phased withdrawal of some of the U.S. troops from Korea over the next few years, the majority of the Korean people think that North Korea should take a like action in response to this withdrawal. As a matter of fact, there would be no place on earth where armed forces are concentrated so densely as the Korean peninsula. For this reason, the Korean peninsula has become an object of serious concern. The augmentation of armed forces in the North and the South along the truce line not only destroys trust between the two sides, but also risks the danger of an armed clash. Therefore, we are convinced that putting an end to the arms race on the Korean peninsula as early as possible should become a main task of North-South dialogue. Making efforts to map out a series of ways for building confidence on the Korean peninsula will be conducive to meeting this end. The North and the South agree with each other in a considerable part of their proposals with regard to the issue. This is suggestive of something. I view North Korea's proposals as laying a favorable foundation for easing tension on the Korean peninsula. Their proposals include the signing of a

nonaggression declaration between Seoul and Pyongyang, a declaration of the denuclearization of the Korean peninsula, the removal of all chemical weapons from this region, and the respective drastic reduction of the armed forces in the North and the South to the level of 100,000. We are of the opinion that an agreement between the North and the South on the way for building confidence and on the reduction of arms will help to lessen the danger of a military clash on the Korean peninsula. The question of the U.S. troops in Korea can be thought of in this context. The United States has announced that it will reduce approximately 7,000 out of its 43,000 troops in Korea over the future three years. This is, indeed, a correct step, but a very inadequate measure. We do not think that the presence of U.S. troops in the southern part of the Korean peninsula further consolidates the security of Korea. As is known, there is no foreign army in North Korea."

[TONG-A ILBO] The Soviet Union has supported North-South dialogue as a way for solving the problem of the Korean peninsula. What attitude do you think North and South Korea should assume to bring about successful results?

[Rogachev] "First of all, we think that North and South Korea should make efforts to understand each other's stand and to show examples with confidence. This will surely be difficult for North and South Korea to do, having gone through scores of years of confrontation and hatred. A long time will be required. In our opinion, the attitude of steadily seeking reunification and compromise is the most reasonable way for making the present dialogue productive."

[TONG-A ILBO] What do you think of the future economic cooperation between Korea and the Soviet Union? What type of cooperation do you think is the best?

[Rogachev] "The Soviet Union has many things for cooperation in the economic field. Over the past five years, the trade volume between the Soviet Union and Korea has doubled every year. It amounted to \$1 billion in 1990. Along with the trade of commodities with Korea, we are deeply interested in employing Korea's capital, technology, and management skills in developing Siberia and the far eastern region. So far as we know, Korean businessmen are also interested in the Soviet Union. I am of the opinion that when the natural resources of the Soviet Union and its potentials in the scientific field are combined with the management skill and investment of Korean businessmen, tangible mutual benefits will be gained in the economic field."

[TONG-A ILBO] Many Koreans live in the Soviet Union. The Korean Government plans to carry out cultural exchanges with them and strengthen relations with them. Do you support these efforts?

[Rogachev] "Like other Soviet citizens, the Koreans in the Soviet Union have a right to maintain relations with

foreign countries, particularly with the people and organizations in their original motherland. The Association of Koreans in the Soviet Union are very active in this field. The Soviet Government encourages the Koreans in the Soviet Union to contact and have relations with the people in North and South Korea. No doubt, cultural exchanges between the Koreans in the Soviet Union and Korea will be promoted thanks to a Soviet-Korean agreement on cultural exchanges to be signed in the near future."

[TONG-A ILBO] The Korean Government is doing its utmost to improve relations with China. North Korea and Japan have, in principle, agreed to establish diplomatic relations. What do you think of the cross-recognition of Korea by the four powers around the Korean peninsula—the United States, the Soviet Union, China, and Japan?

[Rogachev] "Such a question is meaningless, because the Soviet Union has established diplomatic relations with both North and South Korea. North Korea and Japan are holding negotiations over the question of mutual recognition. Korea and China have opened their trade missions with consular functions. As a result, only the United States is lagged behind in the trends of improving relations between the neighboring powers and North Korea and between them and South Korea. We welcome the normalization of relations between the United States and North Korea. Recognizing the entities existing on the Korean peninsula will not only contribute to improving the situation in the area, but will be conducive to creating favorable surroundings for solving the problem of the Korean peninsula."

[TONG-A ILBO] Many specialists argue that the Soviet Union's economic reforms toward the market economy means its deviation from the socialist economy. They contend that the Soviet Union will, after all, come out of the socialist economic system. In addition, many conservative analysts hold that the socialist economic system will disappear. If you believe that these assertions are not correct, will you talk about the direction of the Soviet economic reforms and the differences between your economy and the capitalist economy?

[Rogachev] "Since this question has nothing to do with diplomatic affairs, I will express my personal opinion. I strongly support the separation of ideology from both domestic economy and international economic relations. Your question gives me an ideological impression. Let me talk about the question more in detail. Judging from their assertions in many respects, the economic specialists to whom you refer seem to rule out the emergence of a market function in the socialist economy. In their opinion, a market economy means a capitalist economy and a socialist economy implies only a planned economy. Like the Soviet theoreticians who stick only to the Stalinistic interpretation of socialism, these specialists are the slaves of dogmatism. Each country in the world knows that social and economic progress can be prompted when control is properly harmonized with the

principle of a market economy. Through our negative experiences regarding goods, money, and the market, we have become aware that any attempt by the state to restrict or reject relations among them results in bringing about a distorted market such as the black market. In this context, I do not want to say that we are shifting from socialism to capitalism. To realize the policy which objectively reflects our current economic realities, we are giving up the dogmatic principle of the ideology-oriented economic theories. In my opinion, there are differences between the socialist and capitalist economies. The socialist economy places a greater responsibility on society. For this reason, the main goal of our economic reforms is to change our economy in conformity with the needs of the people."

[TONG-A ILBO] The Soviet Union has joined the ranks which denounce Iraq's invasion of Kuwait. This notwithstanding, Soviet military advisers and specialists are still working in Iraq. Is this not contradictory?

[Rogachev] "I want to clearly state that no Soviet military adviser remains in Iraq. Soviet military specialists are engaging in repairing weapons, in educational programs, and in the management of military logistics. There is no Soviet officer who works in a military command connected with the mapping out of military operations or in ordinary military units. Soviet military specialists do not affect the military potentials of Iraq nor can they do so. The supply of weapons to Iraq was also suspended shortly after Iraq invaded Kuwait on 2 August last year. The Soviet Union began to withdraw Soviet civilians and military specialists from Iraq. As a result, the number of Soviet military specialists has been reduced from 216 in early August to 124 at present. Among the Soviet military specialists who remain in Iraq are interpreters and civilians dispatched by the Soviet Ministry of Defense. Pure military specialists only number about 60. As their contract terms expire, they will leave Iraq as soon as departure visas are issued. Therefore, there is no contradiction between the fact that only a handful of Soviet military specialists remain in Iraq and the Soviet Union's stand of principle toward the Gulf crisis."

Gorbachev May Visit Both South, North

SK0401051591 Seoul HANGYORE SINMUN in Korean
4 Jan 90 p 1

[Text] It has been learned that Soviet President Mikhail Gorbachev plans to visit both the South and the North on his way to Japan for his official visit in April.

On 3 January, a high-ranking government official said: It is practically impossible for Soviet President Mikhail Gorbachev to make a separate visit to the ROK during his visit to Japan because of the Soviet Union's domestic problems, including U.S.-Soviet summit talks scheduled to be held in Moscow for three days beginning 11 February, the Soviet Union's economic crisis, and the restructuring of the Soviet Union's government institutions.

The same official said: It is my understanding that President Gorbachev, who has never visited North Korea, an ally of the Soviet Union, since he took office in March 1985 as General Secretary of his party, is working out a plan for visiting both the South and the North simultaneously, out of consideration for Soviet-North Korean relations. In case North Korea, which is unhappy about the rapidly developing ROK-USSR relations, shows negative reactions to it, President Gorbachev may choose to visit the ROK only. But the possibility of President Gorbachev visiting the South alone is slim.

He continued: With the momentum to ease tension set in motion last year in Europe achieving almost all of its goal, I believe that the Soviet Union this year will launch its peace and diplomatic offensive in Asia and the Pacific in earnest. It is very likely that Gorbachev may choose to pass through Panmunjom to visit the South and the North as a symbolic gesture of his peace diplomacy in the Far East.

Touching on the possible date of President Gorbachev's visit, the government official added: Since his visit to Japan, during which he is expected to discuss a Japan-Soviet peace agreement, the return of four northern islands, and economic cooperation, is the most important part of his trip to countries in the Far East, I believe he will come to the South and the North upon concluding it. The chances are he will visit the North first and then the South because North Korea is not only an ally of the Soviet Union, but also because North Korea's President Kim Il-song visited the Soviet Union in October 1986. He went to the Soviet Union in May 1984, the first in 23 years since his earlier visit. Therefore, he may choose to go to Pyongyang first and then Seoul.

Seoul Reportedly To Allow North TV, Radio

SK0401104091 Seoul KYONGHYANG SINMUN
in Korean 4 Jan 91 p 1

[Text] It has been learned that the government worked out a policy for completely opening the seeing and hearing of North Korean television and radio in order to lay a foundation for exchange and cooperation between the North and the South of Korea. Thus, on 4 January, the government is reported to be carefully reviewing the time for implementation of this policy.

The government repeatedly proposed to the North Korean side in the past to mutually open and exchange television, radio, newspapers and publications as a necessary condition for building political trust between the North and the South. However, the government failed to reach an agreement with the North Korean side. Accordingly, our side decided to unilaterally take a step for opening.

A high-ranking government official pointed out that "lack of foundation for common consciousness between the North and the South, which was caused by division and cultural severance for 45 years, worked as a hindrance to full-scale exchange and cooperation." He

added that "as an advance step for full-scale opening of radio waves and mass media, our side is planning to unilaterally allow the seeing and hearing of North Korean television and radio."

He stressed that "the mutual opening of seeing and hearing of television and radio is an indispensable process for mutually understanding the different political and economic systems and environment of life between the North and the South and for recovering common culture and value." He also explained that the relevant government offices completed reviewing technological measures required for our side's unilateral opening.

As for the time of opening, this official said that "the time will be the point when the North Korea side show its sincerity, even a slight degree, for exchange and cooperation." Thus, he suggested that the government may possibly declare the full-scale opening during the first half of the year at the earliest.

The government has included the mutual opening of seeing and hearing television and radio as an essential provision in the draft plan for building political trust to be discussed during the North-South High-Level Talks and in the draft of a basic agreement for improving the North-South relations.

Such a policy by the government was prompted by its judgment that this year will be an occasion for epochally developing North-South exchanges and economic cooperation according to domestic and overseas situation including North Korea's full-scale negotiations with Japan for establishing diplomatic relations.

At the same time, in order to expand the exchange of manpower, the government is planning to review the name and scale of "great national exchanges," which it proposed to the North Korean side in August of last year but ended in failure, and to determine the problems arising in implementing this proposal. After this step, the government will continually push for great national exchanges on all national holidays including New Year's Day by the lunar calendar and Hansik [national folk day on which brief memorial services are held at ancestral tombs].

Government Denies Report

SK0401104891 Seoul Domestic Service in Korean
0800 GMT 4 Jan 91

[Text] The government denied a press report that the government recently decided to unilaterally open the North Korean television and radio. The government stressed that such a report is groundless and that it has not reviewed technically and legally the issue of opening the North Korean broadcast.

A relevant official of the Unification Board today said it is the government's basic position that the opening of various domains, including radio waves, should be realized, in principle, on the basis of reciprocity. Therefore,

the unilateral opening of the radio waves without agreement with the North Korean side cannot possibly be realized.

This official pointed out that in the event that we unilaterally open North Korea's radio waves at the present stage, North Korea's psychological broadcast will be added to its program and as a result of this, genuine significance for exchanging radio waves can hardly be attained.

Daily Examines Economic Change in North

*SK2812011990 Seoul CHOSON ILBO in Korean
11 Dec 90 p 13*

[Article by reporter O Tae-chin: Foreign Currency Allowed To Circulate in North Korea]

[Text] Ethnic Koreans Encouraged To Visit North Korea

A preference for foreign currency is spreading like a tide among the North Korean people. This development has come on the heels of recent moves to relax strict controls on the use of foreign currency, such as opening to all North Koreans the shops which had been reserved exclusively for foreigners and which accept only foreign currency.

This is no small change in a country which boasts an economic system based on controlled supply, which places little value on monetary exchange, and where levels of currency are extremely low, whether foreign or domestic. The North Korean authorities' approval of the official use of foreign currency by their people is seen as a measure of last resort to ameliorate the nation's chronic shortage of foreign currency, however slightly, despite the inherent danger that a rising tide of preference for foreign currency could damage the existing socialist structure of currency circulation or the very real danger that the availability of foreign currency could create in the North Korean people a sense of dissatisfaction with their environment.

This change in the policy on the internal circulation of foreign currency is assumed to have occurred in about 1988. Starting in that year, Pyongyang put into operation a new General Bureau for Tourism which worked together with the existing Ethnic Korean General Bureau to attract ethnic Koreans residing in the United States who had relatives in North Korea to visit the North. Pyongyang also encouraged businessmen associated with the Chochongnyon [General Association of Korean Residents in Japan] either to live in North Korea or to make small investments there.

In the early stages of encouraging visits by ethnic Koreans, North Korean officials forcefully applied a policy of requiring that dollars given as gifts to friends and relatives by visitors had to be placed on deposit with the North Korean Government. Within a short time, however, North Korean citizens who possessed foreign currency were allowed to shop without restriction in

facilities which accepted only foreign currency. Restrictions on dollars left as gifts by visitors were lifted at the same time. So long as recipients reported that they had received dollars, they were free to keep and use them.

According to ethnic Koreans residing in the United States who visited North Korea, the usual visitor left \$10,000 or \$20,000 with their families in the North before they returned to the United States. The same sources say that there were many instances when the amount given reached as high as \$100,000. In North Korea, \$10,000 is an astoundingly huge amount of money. The official North Korean exchange rate is .94 won per dollar.

Liquor and Japanese-Made Items Hugely Popular

In addition to this official exchange rate, foreigners visiting North Korea are allowed to receive "money for foreign currency" at a rate of 2.2 won per dollar. Thus, visitors who wish to exchange \$10,000 can do so legally without resorting to the black market and still receive 22,000 won. Since the typical laborer in North Korea receives a salary of about 100 won per month, 22,000 won is a huge amount of money. Moreover, items like Japanese-made electronic goods or foreign liquor, which are impossible for the ordinary North Korean to buy under ordinary circumstances, may be purchased with "money for foreign currency" at shops exclusively for foreign use. This privilege boosts the value of the converted currency much higher than its mathematical exchange rate would suggest.

The foreign currency shops were built originally with visiting foreigners in mind, but their numbers exploded under the joint-venture rubric after the joint venture law was passed in 1985. Most of these joint ventures were put together with investments from Chochongnyon-affiliated ethnic Koreans living in Japan. The shops come in a variety of configurations, from coffee shops to actual shopping facilities like the Nagwon Department Store and even restaurants like bulgogi houses and chobap houses serving vinegared fish and rice. The items carried in the joint-venture shops are mostly Japanese-made, except for some shops which feature vegetables and fruits. Prices are high in the shops, as illustrated by the fact that a can of Kirin Beer costs 1.1 won in "money for foreign currency." However, the privilege of patronizing the joint-venture shops which accept the "money for foreign currency" is an enormous one for North Korean citizens who find food and clothing in addition to that officially supplied by the state to be in chronic short supply and where buying in farmers' markets or on the black market is difficult.

As High as 100:1 on the Black Market

Despite the increase in the use of "money for foreign currency," defectors state that one won in "money for foreign currency" can be exchanged for 35 to 50 regular won on the black market, where \$1 buys as much as 100 won. Chong Hyon, 25, a North Korean student studying in the Soviet Union, defected to Seoul in August 1990.

According to Chong, he gave his cousins a gift of Soviet-made sugar when he visited his aunt's home in Pyongyang during a school vacation. They tasted the sugar and said: "This can't be sugar. It's too sweet." They felt his Soviet-made briefcase and said, "Is this a dollar briefcase?" "I myself was a senior before I learned what the word 'dollar' meant," said Chong. "But things have changed so much that even five-year old kids today know what a dollar is."

Kim Chi-il, 26, who defected with Chong, added: "In the past, a common citizen could use neither dollars nor 'money for foreign currency,' but anyone can use dollars now, even if they don't reveal their source....Because of the economic difficulties in the North, dollars are now needed urgently, so they have opened it up so that the people can use dollars. My impression was that the government no longer controls the black market, either."

An ethnic Korean who visited North Korea recently told us: "North Korean officials appeal for dollars to ministers and other church-affiliated ethnic Koreans living in the United States. They say that since dollars are crucial for the progress of the North Korean churches, they would appreciate it if the American churches would send dollars rather than the usual aid-in-kind." A Korean-American who had visited the North told me that it was customary for each person in a tour group to offer a gratuity of 100 dollars to North Korean guides who accompany the groups during their tours in the North. He said that nobody had heard of a case where a guide refused this money.

According to the Naewoe News Service, North Korea has directed its diplomatic stations and foreign trade office branches overseas to procure money on site to pay their own operating expenses. Thus, North Korean embassies in Africa have been holding bazaars recently called "displays of daily necessities." The earnings from these bazaars are used for operating expenses. In Europe and other regions, North Koreans are said to try to reduce operating costs by such means as not employing local citizens.

According to some reports, the North Koreans go so far as to send antlers and horn from antelope and other animals from their embassies in such places as Uganda to their embassy in Moscow. Such items are then sold through overseas trading companies well-disposed to North Korea.

Meanwhile, North Korean authorities encourage Chongchongnyon merchants with preferential treatment if they invest in small-scale businesses in the North. Those who invest are allowed to acquire foreign currency and are permitted to reside in North Korea. Thus, in recent times a huge increase has been noted in the number of ethnic Korean residents of Japan who maintain a base residence in North Korea but commute back and forth to Japan. For an investment of only \$100,000, they receive a top class residence, a luxurious automobile, and live lavish lives. Last summer an ethnic Korean resident of

the United States who is a journalist said: "The number of Benchleys and other high-priced automobiles on Pyongyang's streets have increased amazingly since I was there in 1988. I asked about this and was told that most of the vehicles belong to Chochongnyon investors." He added: "The new coffee shop at Pyongyang's Koryo Hotel charges three won for a cup of coffee. I was told that an ethnic Korean resident of Japan who provided the investment to build the place receives one half of all the profits."

Bright Clothing More in Evidence

The Korean-American noted that: "My impression of Pyongyang's citizens is that in the two years since my last visit they have started wasting money on such things as clothing and accessories. The women of Pyongyang now wear more varied clothing and are more oriented to foreign styles....I think this sad situation is incited by a combination of the foreign currency that gets put in circulation from overseas Koreans during their visits to the North and the lavish dress of the ethnic Koreans from Japan who now reside in the North."

Sources tell us that one negative result of the present situation is that North Korean families who receive a visit from ethnic Korean relatives from the United States suddenly become affluent. In turn, this affluence triggers a feeling of deprivation among others, sensitizing the people to the rich-poor gap. Another side affect is the shock experienced by large numbers of people who have been raised under a system of governmental supply and who have learned to judge consumer goods on the basis of sheer availability but who now face having to judge consumer goods based on relative quality. A third negative aspect of the "foreign currency wind" is that as the preference for foreign currency has surged into a tide, smuggling has become even more universal. The North Korean authorities understand that these negative phenomena may work to undermine the socialist ethic of frugality inculcated by the regime for decades or that they may even exert a pernicious influence on the survival of the regime itself. North Korea, however, so far has let the foreign currency wind blow without restrictions. This fact may spell out eloquently the critical nature of the problem of lack of foreign currency in North Korea.

Chon Tu-hwan's Return Causes Concern in Seoul

SK2912055390 Seoul YONHAP in English 0525 GMT
29 Dec 90

[Text] Seoul, Dec. 29 (OANA-YONHAP)—Villagers in Yonhui-tong, a sleepy area of Seoul where former President Chon Tu-hwan has a house, are concerned that when their famous neighbor returns Sunday afternoon their calm may be shattered by serried ranks of armor-clad riot policemen, hordes of students, firebombs and clouds of tear gas.

The students are said to be planning a demonstration to mark Chon's return from 25 months in exile and the

police are on full alert, with extra security patrols on the streets outside the big houses that mark the upscale village.

Chon went into voluntary exile on Nov. 23, 1988, after a televised apology for irregularities and abuses of power committed during his 1980-1987 rule and the surrender of all his assets. The government refused to take the residence, citing courtesy to a former president. Chon's two-story house has a floor space of 116 pyong (383 square meters) on a site of 385 pyong (1,271 square meters). It made quite a stir when it was refurbished with money from the Seoul Municipal Government while Chon was in office, and for that reason is better known today as "Yonhui palace."

Before Chon left Seoul, students waged a street war with riot troopers almost every day in a bid to toss firebombs into his house. Many villagers said Chon could come back as an ordinary citizen, but expressed deep concern that toxic tear gas, flying debris and firebombs and other inconveniences would accompany him. Some of Chon's neighbors are strongly against his return.

"It is pulling the people's legs to come back to the house despite his announcement to surrender it to the nation," said Kim Kil-nam, 40, who lives next door.

A bigger concern, however, is the possibility that the former general could begin to dabble in politics again as his friend, fellow former general and Military Academy classmate, President No Tae-u, is into the second half of his single five-year term and is in danger of becoming a lame duck president. "It is desirable to let Chon come back home to rest, but he should not be allowed to have anything to do with politics," said another neighbor, retired Gen. Yi Chun-hwa, 63.

Kim Tae-sik, spokesman for Kim Tae-chung's Party for Peace and Democracy, said, "Chon should apologize to the people for his past again and pledge not to intervene in politics. Chon must bear full responsibility for what happens if he fails to stay away from politics."

What further concerns many people is Thursday's Cabinet reshuffle, which brought in a number of faces familiar from Chon's government who may allow the former president to involve himself in the running of the country.

At nearby universities, students are busy discussing tactics to block Chon's return despite being on winter vacation, which even for activist students is rare show of dedication. "Chon's return is a symbolic incident foretelling the bid of the present government to return to the past and crack down upon democratic forces," said Im Hyon-tae, 22, president of the Student Council at Yonsei University.

As hand-picked successor to Chon, No won popularity by declaring he would open an era of democracy, suggesting he would be a new broom to sweep out the wrongdoings of his predecessor.

The progressive Catholic Priests Association for Justice said Saturday: "The inhumane and immoral crimes of the Chon government cannot be pardoned, even though the present government gave him a political amnesty. "It is not the attitude of a man who has repented to return to the house that he donated to the nation. We suspect the government of moving to resurrect the past in urging Chon to come down."

Chon Returns Amid Tight Security

SK3112032390 Seoul YONHAP in English 0150 GMT
31 Dec 90

[Text] Seoul, Dec. 31 (OANA-YONHAP)—Former President Chon Tu-hwan and his wife spent their first night out of exile under heavy guard on Sunday with hundreds of riot police ringing their Yonhui-tong house in western Seoul and checking everyone coming into the neighborhood.

The area was the focus of national attention earlier in the day, when Chon and Yi Sun-cha returned from 25 months of self-imposed monastic seclusion at Paekdam Temple on Mt. Sorak in the northeastern region of the country. More than 100 neighbors and Buddhist monks lined the street outside Chon's house to greet the couple, but no one else was allowed into the tightly sealed area to prevent demonstrations.

Among the political figures in the crowd were Kim Yong-kap, a former government administration minister, Chang Se-tong, a former director of the Agency for National Security Planning, and Rep. Chong Tong-song, a former sports minister.

Pulling up in front of their home after a five-hour ride from the remote mountain-top temple some 150 kilometers northeast of the capital, the couple shook hands with almost each welcomer. "Thank you for coming out on such a cold day," they said to the neighbors and monks. A 69-member Buddhist choir sang hymns as Chon's car arrived with its security escort.

A flower arrangement sent by President No Tae-u also awaited the Chons, and Kim Yong-il, the presidential secretary who was No's messenger in persuading Chon to return to Seoul, was at Yonhui-tong to welcome them. Chon, smiling and waving, entered his house without comment and without answering reporters' questions.

Kim To-hu, head monk of Paekdam Temple, and So Ui-hyon, head of the Chogye order, accompanied the Chons to Seoul and prayed with them and some 20 visitors soon after arriving.

Chon had left the house with his wife 760 days earlier, after making a public apology for the misrule of his seven years in power. The disgraced former general, who seized power with military backing, had been a target of violent demonstrations and public outrage since he served out his seven-year single term in February 1988, and retired to the Yonhui-tong house.

Chon and Yi began their exile at the temple on Nov. 23, 1988. In a statement released before his departure from the temple, Chon said he had decided to return to Seoul at the recommendation of President No, ruling and opposition party leaders and public opinion.

PPD Wants Further Apology

SK0101035791 Seoul THE KOREA HERALD
in English 1 Jan 91 p 2

[Text] The leading opposition Party for Peace and Democracy [PPD] said yesterday that former President Chon Tu-hwan appears to have not repented for his political abuses during his rule from 1980 to 1988.

In a statement, PPD spokesman Kim Tae-sik said, "(We) cannot help but express disappointment along with the public over the fact that (Chon) has failed to show that he spent the past two years at a mountain temple amid remorse." Kim said the ex-President should apologize to the people, stay away from politics and pursue no political alliances between forces of the Fifth Republic and the current Sixth Republic. The spokesman contended that Chon should "keep in mind that it is the only way to show his repentance."

Earlier, PPD leader Kim Tae-chung, in a switch of position, said he would not oppose Chon's return to his Yonhui-dong house. He only said Chon should not involve himself in politics. But other opposition groups voiced opposition.

Rep. Kim Hong-man, who belongs to a faction controlled by Kim Chong-pil, a co-chairman of the ruling Democratic Liberal Party [DLP], also said Chon seems to be "oblivious to popular feelings." He said, "I think he should have demonstrated to the public that he has remorse. But seeing him overjoyed leads me to question the attitude of the man who has undergone a popular trial."

Reps. Kim Tong-chu, Hwang Pyong-tae and Pak Kwan-yong, all followers of DLP Executive Chairman Kim Yong-sam, were also critical of Chon's return to Seoul. They said it is desirable that Chon live as an ordinary citizen. "I don't think he should involve himself in politics," said Rep. Kim. He said Chon's followers should not push Chon into politics.

Meanwhile, Rep. Pak Tae-chun, a co-chairman of the ruling party, said he will call on Chon around Thursday to offer him greetings. Kim Yun-hwan, DLP whip, said he intends to visit the former President soon. Kim Yong-sam, along with some of his followers, climbed Mt. Tobong in the northern suburbs of Seoul yesterday.

PRC Shandong Province Seeks Korean Investment

SK2612030190 Seoul THE KOREA ECONOMIC
JOURNAL in English 24 Dec 90 p 11

[Text] China's Shandong Province is attracting many Korean enterprises into various large projects involving

energy, transportation and telecommunications, chairman Li Yu of China's Shandong Chamber of Commerce said.

The Shandong provincial government would accord various tax and financial favors when industrial estates exclusively for Korean firms are established in Qingdao and Yantai, he said.

He proposed that Korean companies create industrial estates in these districts as soon as possible.

He made these remarks at a seminar on investment strategies in Shandong Province, which was co-hosted by the Korea Economic Daily and the International Private Economic Council of Korea (IPECK) at Seoul's Hyatt Hotel on Dec. 12.

In an effort to improve the investment climate, the Shandong provincial government has been undertaking various expansion projects of infrastructure facilities such as an airport and other transportation means, he said.

The Shandong provincial government is offering various favorable policies by designating about 40 percent of its province eligible for foreign investments, he said.

It is hoped that Korean enterprises take part in technical renovation of textile industries and the manufacturing of sewn goods in the province, he said.

At the seminar, Wang Jiaxiang, deputy general manager of Shandong Foreign Trade Corporation, said that trade between Korea and Shandong rose from \$31 million in 1988 to \$180 million this year.

The possibility is very high that Korean firms may boost exports of machinery and equipment, electronics products, iron-steel raw materials and synthetic fibers to Shandong, he said.

At the seminar, officials from Sam Yang Foods and Korea Top-tone which are already doing business in Shandong also explained their investment experiences in Shandong Province.

The seminar was attended by about 150 Korean and Chinese business representatives.

Seoul, Tokyo To Discuss Legal Status of Koreans

SK2912040190 Seoul YONHAP in English 0251 GMT
29 Dec 90

[Text] Seoul, Dec. 29 (YONHAP)—South Korea and Japan will hold talks on the legal status of Korean residents in Japan on Jan. 5 to prepare for Japanese Prime Minister Toshiki Kaifu's visit Jan. 9-10, Korean officials said Saturday. Kim Chung-ki, director-general for Asian affairs at the Foreign Ministry, and his Japanese counterpart, Sakutaro Danino, will head the delegations to the talks in Seoul [as received].

Japan's treatment of Koreans has remained a thorn in the side of diplomatic relations since normalization in 1965 and the focus of the talks will be Japan's fingerprinting of Koreans, Ministry officials said.

Koreans argue that even if they keep their Korean citizenship they should be exempt from the fingerprinting of foreigners under Japan's Alien Registration Law, as they or their parents were taken to Japan against their wishes by the colonizing power. Japan is likely to suggest an alternative, such as a family register for Korean citizens. Korea is expected to ask Japan to stop punishing Koreans who do not comply with the fingerprinting law.

The two sides will brief each other on their positions on the improvement of relations between Japan and North Korea. Japan has diplomatic relations with South Korea but has been moving toward normalization with North Korea since a large group of Japanese parliamentarians led by former Deputy Prime Minister Shin Kanemaru visited Pyongyang in September.

Canadians Sign To Build Atomic Power Plant

SK2812072890 Seoul YONHAP in English 0642 GMT
28 Dec 90

[Text] Seoul, Dec. 28 (OANA-YONHAP)—Atomic Energy of Canada Ltd. (AECL) will build a 700,000-kilowatt pressurized heavy water atomic power station in South Korea under a contract signed Friday with Korea Electric Power Corp. (Kepco).

The 380 billion-won (531.5 million U.S. dollars) contract, 40 percent of which is to be taken up by domestic companies, calls for AECL to supply the reactor and oversee the architectural engineering. The total cost of the plant is 1.1 trillion won (1.5 billion dollars).

Groundbreaking for Wolsung Two, sited next to Wolsung One in Kyungju, North Kyongsang Province, is scheduled for July 1991 with completion in June 1997. Wolsung One is Korea's only pressurized heavy water reactor.

A stable supply of electricity is expected from Wolsung Two as pressurized heavy water reactors do not have to halt operations to replace fuel rods.

Kepco said they could also turn out to be economical and environment-friendly as a way is being sought to process second-hand fuel from pressurized water reactors for use in pressurized heavy water reactors.

AECL is the sole designer and supplier of pressurized heavy water reactors with experience in the construction of 29 nuclear power plants. Wolsung one was built by AECL and the Canadian firm is taking part in the construction of a 900,000-kilowatt nuclear power plant near Toronto in Canada.

Local contractors to cooperate with AECL in design, equipment and supply are Korea Heavy Industries and Construction Co. [KHIC], Korea Atomic Energy Research Institute and Korea Power Engineering Co.

Turbine generator equipment is likely to be supplied by general electric of the United States, a sub-contractor of KHIC, and the equipment supply and a related services contract will be made soon as consultations on supply conditions are under way.

Company To Buy Hot Coil From PRC, USSR

SK2812024290 Seoul YONHAP in English 0213 GMT
28 Dec 90

[Text] Seoul, Dec. 28 (YONHAP)—Pohang Steel and Iron Co. (POSCO), South Korea's biggest steel manufacturer, is negotiating with Wuhan Iron and Steel Corp through its Hong Kong branch to buy 50,000 tons of hot coil from China.

The state-run company also said Friday it plans to import 100,000 tons of Soviet hot coil next year.

Tongbu Steel Co. and Union Steel Manufacturing Co. imported 50,000 tons of Chinese hot coil in the second half of the year and Korea is likely to purchase 400,000 tons to 500,000 tons of the item from China and the Soviet Union next year, up 10-fold from this year.

Tongbu and Union have signed long-term contracts with Bao San Iron and Steel Co. of China for 84,000 tons and 60,000 tons of the product, respectively.

In addition, they will seek to import 200,000 tons to 300,000 tons of hot coil from the Soviet Union next year.

POSCO will get its Soviet hot coil under an agreement with the Soviet exporter and importer Promsyrto Import Co.

The import price of Chinese hot coil is 365-370 U.S. dollars a ton, 5-10 dollars cheaper than coil from the United States, Japan and Brazil, and its quality is comparatively good.

Soviet coil costs around 350 dollars a ton and is attractive because of its low price and low transportation charges despite its low quality, the company said.

102 Items Added To Import Liberalization List

SK2812053490 Seoul YONHAP in English 0504 GMT
28 Dec 90

[Text] Seoul, Dec. 28 (YONHAP)—Imports of bananas, carp and 100 other items will be liberalized on Tuesday, raising South Korea's import liberalization rate from 96.3 percent to 97.2 percent.

The Trade and Industry Ministry said Friday it would revise the export-import notice to unbar 93 imports and abolish individual import checks on nine items, according to the consolidated public notice.

Among the imports are bananas, pineapples and 27 other agricultural items: lamb carcasses, deer meat and eight other livestock items: carp, pearl oyster and 35 other fisheries: paintings, drawings, opal, jade and 13 others.

The import-check process was canceled for peas, kidney beans, grain sorghum, millet and five other agriculture

items. The Ministry has followed exceptional import restrictions listed by the General Agreement on Tariff and Trade to ensure public health, safety, environment protection.

The number of items still under import control will shrink from 376 to 286, or 2.8 percent of the 10,274 on the 10-digit harmonized system. Most of the remaining items are agricultural, except for 11 manufacturing and others.

Brunei, Malaysia & Singapore**Malaysia****UMNO, Youth Wing Condemn U.S. Libya Policy**

*BK0401095991 Kuala Lumpur BERNAMA in English
0830 GMT 4 Jan 91*

[Text] Kuala Lumpur, Jan 4 (OANA-BERNAMA)—United Malays National Organisation (UMNO), the largest party in the ruling National Front coalition, Friday condemned the United States for continuing to pressure Libya with trade sanctions and freezing of assets.

Its Youth Wing International Affairs Bureau secretary, Mustapha Yaakub, said the United States' move was not humanitarian.

Its accusations that Libya supported international terrorism were merely a ploy to apply pressure on the Arab state, he said in a statement.

UMNO youth reiterated its support for Libya's efforts to spearhead anti-Zionist and anti-imperialist activities, he said.

Mustapha said the United States harboured a deep hatred for Libya and did not want to see its president, Mu'ammar al-Qadhafi, emerge as an Arab and Muslim leader who worked hard to free Palestine.

Customs Seizes Weapons Meant for Tamil Rebels

*BK0401054291 Kuala Lumpur BERNAMA in English
0403 GMT 4 Jan 91*

[Text] Kuala Lumpur, Jan 4 (OANA-BERNAMA)—Malaysian customs officers recently intercepted three motorboats in Malaysian waters off Penang Island and seized several mortars and homing devices believed to be for Tamil guerillas in Sri Lanka.

It is believed that the boats, with 33 Sri Lankans on board, were on their way to transfer the arms to a Sri Lanka-bound cargo vessel waiting at a rendezvous point in international waters.

Thirty-three foreigners have been detained for questioning, a source told the English-language daily, THE NEW STRAITS TIMES, Friday.

It is learnt that the leader of the group is expected to be prosecuted while the rest will be handed over to the Immigration Department for deportation.

The seizure of the arms, worth more than M [Malaysian] \$1.5 million (U.S. \$555,000), was the biggest in the country.

Customs officers intercepted the boats and found them loaded with mortars and homing devices about two weeks. [sentence as received]

The source said the consignment was meant for the Liberation Tigers of Tamil Eelam (LTTE).

Under section 31 of the Customs Act, it is an offence to export prohibited goods, including firearms.

Newest Chinese Newspaper in Sabah Shuts Down

*BK0301134291 Kuala Lumpur NEW STRAITS TIMES
in English 2 Jan 91 p 2*

[Text] Kota Kinabalu Tues.—Sabah's newest Chinese daily TODAY'S NEWS today suspended publication leaving 40-odd staff jobless.

A company spokesman declined to reveal the reason for the suspension of the broadsheet which first hit the street in November 1988.

The publishing and printing licenses of TODAY'S NEWS are held by a Sabah company called Tawau Jit Pao Company Limited. The company also prints Sabah's only tabloid THE BORNEO MAIL.

Staff of the newspapers were issued notice of the suspension last week stating that their employment positions would be reviewed.

It was learnt that the 40-odd administration and editorial staff would be paid retrenchment benefits equivalent to three months of their last drawn monthly salary.

TODAY'S NEWS was the seventh Chinese daily in Sabah and the fourth in Kota Kinabalu.

The others here are the OVERSEAS CHINESE DAILY NEWS, the ASIA TIMES and SABAH SHI PAO.

Export Earnings Hit Record \$28 Billion in 1990

*BK0401081891 Kuala Lumpur BERNAMA in English
0711 GMT 4 Jan 91*

[Text] Kuala Lumpur, Jan 4 (OANA-BERNAMA)—Malaysia's total export earnings from commodities, oil and petroleum products and manufactured goods hit a record estimated about U.S. \$28 billion last year compared with U.S. \$25 billion in 1989.

Of this, an estimated U.S. \$7.8 billion or 28 per cent was from primary commodities and commodity-based products, with timber and forestry products accounting for the lion's share of about U.S.\$3.2 billion.

Commodity earnings declined slightly from the record U.S. \$8.2 billion achieved in 1989 because of the soft demand last year, Primary Industries Minister Dr. Lim Kheng Yaik said Thursday.

Announcing this at the ministry's presentation of profile: Malaysia's primary commodities, he said the lower percentage of commodity earnings alone indicated Malaysia's right move in downstream processing of primary resources.

The policy is to continue venturing further downstream in tandem with the country's industrialisation policy, he said.

Singapore

AFP: Wee Kim Wee Prepares for Presidency

BK0401094391 Hong Kong AFP in English 0738 GMT
4 Jan 91

[By Calvin Tan]

[Text] Singapore, Jan 4 (AFP)—Former journalist Wee Kim Wee has been transformed overnight into one of Singapore's most powerful men, preparing to become its first elected president without ever facing the voters.

Mr. Wee, 75, who since 1985 has held the exclusively ceremonial post of president nominated by Parliament, for the next two years will occupy a post that many believed has been designed for Singapore's political patriarch Lee Kuan Yew, who stepped down last November after 31 years as prime minister.

The city-state's parliament passed legislation Thursday establishing the position of an elected president with greatly expanded authority including the power to veto Cabinet and parliamentary decisions regarding the use of national reserves as well as key civil service and judiciary appointments.

The president, to be elected for a six-year term in 1993, will also be able to veto detentions without trial under the internal security act and overturn orders gagging those deemed guilty of endangering religious harmony on the multicultural island of 2.7 million people.

Presidential candidates will be screened by a three-member panel and must meet stringent requirements such as past service as a Cabinet minister, senior government official or head of a major Singapore company.

"This is to safeguard the country from ruin should a freak election result bring in the wrong person to office," Prime Minister Goh Chok Tong said while moving the final reading of the much-amended bill in Parliament Thursday.

Another safeguard was creation of a five-member Council of Presidential Advisors that the president is obliged to consult, Mr. Goh added. The elected president proposal was first broached by Mr. Lee in 1984 and has been the subject of two white papers and hearings before a select committee that included Mr. Goh as well as the former premier's son, Trade and Industry Minister Lee Hsien Loong.

Before his appointment as the island republic's fourth president in August 1985, Mr. Wee had a distinguished career as a journalist and diplomat. After 10 years as high commissioner (ambassador) to Malaysia, he served as ambassador to Japan and South Korea before leaving

the foreign service and becoming chairman of the government-owned Singapore Broadcasting Corp. (SBC).

Mr. Wee took on the presidency in 1985 after former President Devan Nair resigned under allegations he was an alcoholic.

"If I am accepted as president, the office would give me more opportunities to make more people happy," which he has described as his life's philosophy.

Mr. Wee, who was treated for cancer in March 1989 and had undergone two operations before that, has through his friendly and humble image become dubbed the "peoples' president."

Moving the motion in Parliament in 1989 for Mr. Wee's term of office to be extended, Mr. Lee had said that he (Mr. Wee) was not well-known to Singaporeans on his first appointment to the highest office in the land.

"Today he needs no introduction. Most Singaporeans have seen and many have met their president and like him. They speak of him with affection. He has the time and a kind word for everybody," Mr. Lee said.

Mr. Wee, who had to stop his studies to support his family, joined the STRAITS TIMES newspaper as a clerk before moving on to reporting. He covered the civil war in the then-Belgian Congo (now Zaire) in 1966 when Singapore was part of the Federation of Malaysia, which heeded a United Nations request to send a peace-keeping force.

Mr. Wee was the first local journalist to enter Jakarta during the confrontation crisis, sparked by Indonesia's first president Sukarno, who objected to the formation of the Federation of Malaysia.

Mr. Wee was married in 1936 to Koh Sok Hiong and they have one son and six daughters.

Parliament Passes Constitutional Amendment Bill

BK0301130591 Kuala Lumpur BERNAMA in English
1014 GMT 3 Dec 91

[Text] Singapore, Jan 3 (OANA-BERNAMA)—The Singapore Parliament Thursday passed a constitutional amendment bill which paves the way for the Republic to have an elected president.

Prime Minister Goh Chok Tong said the elected president proposal was an important innovation to the way Singapore is governed.

When moving the third reading of the bill, he said it was tailored to meet the unique circumstances of Singapore.

"It will change our familiar system of government," he told parliament at its one-day sitting.

Goh said Singapore had taken a long time to bring the bill to this stage. It was first mooted in 1984 and the first

white paper was debated on four years later while the second white paper was tabled in August last year.

This was followed by the bill and a debate in October before it was referred to a parliament select committee headed by Speaker Tan Soo Khoo.

Touching on the report of the select committee, Goh said it examined at length and decided to retain the pre-qualifications approach because "it must not be easier for a person to become a president than a prime minister".

"I agree with this view because the elected president's responsibility is as critical as that of the prime minister's," he added.

He said the question was whether the approach in the original bill whereby presidential candidates must meet more than minimal constitutional qualifications and disqualifications should be retained.

"Some had argued that the qualifications would deprive many people from the chance of being an elected president," Goh said.

Goh said the elected president must ensure that Singapore did not fall apart through a drop in the high standard of government and this was not an easy job.

"If the elected president lacks the necessary experience and stature, he will not have the normal weight to veto the prime minister.

"This moral standing can come only if the president is a man of substance, tested and known for his integrity, objectivity, competence and judgement. It cannot come simply through winning elections," Goh said.

Giving a possible scenario, he said if qualified men do not come forward to stand for elections, an unsuitable man might be elected.

"Singapore cannot chance a freak election result in the presidential elections because it defeats the very purpose of having the elected president if a freak result is possible".

Goh said prequalifying all presidential candidates removed the nightmare of freak presidential elections results because the contest would be between qualified people, and whoever was chosen could do the job.

In its report, the select committee said the candidate must be at least 45 years old, must have ability and experience in financial management and must be a person of integrity, good character and reputation.

It also said that judges and judicial commissioners were not automatic qualifiers.

Minister Says Country Not 'Happy' To Join Bloc

BK0301142691 Singapore THE STRAITS TIMES
in English 3 Jan 91 p 3

[Text] Singapore would not be happy to join a trade bloc if the Uruguay Round of multilateral trade talks failed, said Mr Mah Bow Tan, Minister of State (Trade and Industry).

But Singapore, which has benefitted in the past from the liberal trading system under the General Agreement on Tariffs and Trade (GATT), would have to do something if the world broke up into trade blocs.

Mr Mah did not elaborate on what Singapore would do under these circumstances.

He was replying to a question on an SBC [Singapore Broadcasting Corporation] current affairs radio programme yesterday as to whether Singapore would consider joining a trade bloc should the stalled Uruguay Round of talks fail.

The Uruguay Round to liberalise trade under GATT auspices collapsed in Brussels last month because of disputes over farm subsidies.

Talks are expected to resume this month, but there appears to be little common ground still in the trade negotiations.

Mr Mah's statement followed a suggestion by Malaysian Prime Minister Datuk Sri Dr Mahathir Mohamed for a proposed East Asia trade bloc to counter the other blocs that are being formed currently in North America and Europe.

The Malaysian Government said last month that it had sent letters to the heads of governments in ASEAN, explaining in detail Dr Mahathir's proposal.

Malaysia said it would take the lead in forming the trade bloc which should start with ASEAN countries.

Eventually, China, Japan, Vietnam, Laos, Cambodia, Taiwan, South Korea, Hong Kong and other nations in East Asia will be included in the pact.

In the interview with SBC, Mr Mah added that Singapore businesses will face difficulty exporting their goods and expanding into overseas markets if the Uruguay Round fails.

Importing countries may harass Singapore companies with actions such as antidumping measures.

But the impact on Singapore will be a long-term one.

Mr Mah was confident that there would not be any immediate effect on this year's projected economic growth rate of 3 to 6 per cent.

Cambodia

Hun Sen Chairs Council of Ministers 3 Jan

BK0301135891 Phnom Penh Domestic Service
in Cambodian 1300 GMT 3 Jan 91

[Text] On the morning of 3 January the Council of Ministers met in a 1991 plenary session with the participation of leading cadres from central ministries, services, and units and from various cities and provinces throughout the country. The session was chaired by Comrade Hun Sen, member of the party Central Committee Political Bureau and chairman of the Council of Ministers.

Opening the meeting, Comrade Hun Sen stressed that this plenary session was aimed at inspecting and assessing the tasks carried out in 1990 and discussing the report on the 1990 socioeconomic situation and the 1991 state plan [words indistinct] the implementation of the financial tasks and state budget in 1990 and the targets of the financial and budgetary tasks in 1991; the report summing up the 1989 balance of the state budget; and the report on implementation of the socioeconomic restoration and development program for 1986-1990 and the socioeconomic restoration and development plan for 1991-1995.

Comrade Chairman of the Council of Ministers Hun Sen also highlighted the situation following the complete withdrawal of Vietnamese volunteer troops from Cambodia and a number of international situations, particularly those relating to a political solution to the Cambodian problem.

Heng Samrin Chairs State Council Meeting 28 Dec

BK0401055691 Phnom Penh SPK in French 0408 GMT 4 Jan 91

[Text] Phnom Penh 4 Jan (SPK)—Cambodia's Council of State met on 28 December in Phnom Penh in the presence of its chairman Heng Samrin, according to a communique.

The Council of State examined the report, to be submitted to the coming 20th session of the National Assembly, relating to the activities of the council during the period between the two annual sessions. It decided to pardon nine prisoners at the request of the Takeo and Svay Rieng provincial authorities and to award many local units and individuals and seven Vietnamese experts who have completed their mission in Cambodia.

The Council of State also decided to appoint two new ambassadors of the State of Cambodia to Cuba and Vietnam. It also listened to the report on the appointment of cadres at the deputy minister level.

Laos Thanks Hor Namhong for Anniversary Message

BK0401081091 Phnom Penh Domestic Service
in Cambodian 1300 GMT 3 Jan 91

[Text] Comrade Hor Namhong, Cambodian foreign minister, recently received a message of thanks from Comrade Phoun Sipaseut, foreign minister of the Lao People's Democratic Republic [LPDR]. The message says:

I would like to express profound thanks to you for conveying best wishes on the 15th anniversary of the LPDR. I firmly believe that the long-standing relations of friendship and special solidarity and the multiform cooperation between our two countries, particularly between our two foreign ministries, will further develop and be more fruitful.

I wish you good health and new successes in your lofty mission.

Heng Samrin Greets 'Arafat on Anniversary

BK0301131191 Phnom Penh SPK in English
1058 GMT 3 Jan 91

[Text] Phnom Penh SPK January 3—Heng Samrin, general secretary of the People's Revolutionary Party of Kampuchea Central Committee, has sent a message of greetings to Yasir 'Arafat, president of the Executive Committee of the Palestine Liberation Organization on the 25th anniversary of the Palestinian revolution.

"I am convinced that under Your Excellency's leadership in this difficult and historic stage, the Palestinian people will certainly be victorious in their resolute struggle against imperialism and Israeli occupation, for peace stability and happiness.

"We would like to renew our support for the just struggle of the Palestinian people, under the leadership of the Palestine Liberation Organization, the sole representative of the Palestinian people."

The Cambodian leader also expressed the goodwill, determination and endeavours of the State of Cambodia to achieve a fair and just comprehensive political solution to the Cambodian conflict on the basis of national reconciliation, respect of the independence, of the sovereignty and right to self-determination of the Cambodian people and the UN Charter, thus contributing to building a peaceful, independent, neutral and non-aligned Cambodia free from outside interference and from the threat of the Pol Pot genocidal regime's return.

President Heng Samrin wished the existing bond of friendship and solidarity between the two countries and peoples further development.

He wished Yasir 'Arafat the best of health and the Palestinian people well-being.

Foreign Minister Greet New Bulgarian Counterpart

BK0301135591 Phnom Penh Domestic Service
in Cambodian 0430 GMT 3 Jan 91

[Text] Comrade Hor Namhong, foreign minister of the State of Cambodia, recently sent a greetings message to His Excellency Viktor Valkov on his appointment as vice chairman of the Council of Ministers and minister of foreign affairs of the Republic of Bulgaria.

The message stressed: I hope the bonds of friendship and good cooperation between our two countries and peoples will further develop in the interest of social progress and peace in the world.

I wish you the best of health and success in your responsible tasks.

Faction Supporters Urged To Honor Promises

BK0401102191 Phnom Penh Domestic Service
in Cambodian 1300 GMT 3 Jan 91

[Station commentary: "One Should Honor One's Promises"]

[Text] According to Western sources in the Kingdom of Thailand, the dispatch of weapons to the other Cambodian side is continuing. One still recalls that last September, the PRC, a main backer of the other Cambodian side, and in particular of the Pol Pot clique, solemnly promised that it had stopped supplying weapons to the tripartite group. More recently, former British Prime Minister Margaret Thatcher rejected rumors that British SAS [Special Air Service] units provided training to the Pol Pot group. This promise and denial greatly encourage the Cambodian people, who aspire to end this protracted war through peaceful means.

But in mid-October, Western satellites recorded the delivery of 24 T-59 tanks and many 130-mm artillery pieces to the tripartite alliance. Although the Chinese Foreign Ministry spokesman clarified that this was in implementation of old agreements, this act nonetheless shook the trust in a major power's pledge to honor its promise—a major power which is one of the UN Security Council permanent members. The continued dispatch of new weapons, reported by the U.S. newspaper WASHINGTON POST on 2 January, further clearly shows that this promise has not been honored.

It should be recalled that, regarding when all Vietnamese volunteer troops were withdrawn from Cambodia, a number of countries had promised they would immediately stop providing military aid to the tripartite group once those Vietnamese volunteer troops were withdrawn from Cambodia. But more than a year after the last unit of Vietnamese volunteer troops left Cambodia, military aid continues to be provided to the tripartite group. The majority of this aid is in heavy weapons. This aid not only is in contravention to what has been promised, but also shows contempt for the UN secretary general's appeal in October.

Furthermore, many countries recently voiced their support for the consultative meeting among the cochairmen of the Paris conference on Cambodia and the 12 high-ranking members of the Supreme National Council on 21 and 22 December. The final communique of this meeting states that an important condition for reconvening the Paris conference on Cambodia in an atmosphere appropriate for national reconciliation is that all parties to the conflict show genuine restraint on the battlefield.

But the dispatch of new weapons to the tripartite group constitutes vigorous encouragement for this alliance to continue fueling the civil war in Cambodia. Indirectly, this shows opposition to reconvening the Paris international conference on Cambodia. Therefore, the Cambodian people appeal to countries involved in the Cambodian conflict to honor their promises; otherwise all the documents they have (?worked out) will remain only on paper.

Official Sees 'Food Shortage' in Kompong Speu

BK0401082291 Phnom Penh Domestic Service
in Cambodian 0430 GMT 4 Jan 91

[Summary] By 30 December, Kompong Speu Province had harvested 3,000 hectares of the 42,297 hectare of rainy season rice it has planted with an average yield of over a tonne per hectare. This is 300 kilograms less per hectare compared to the 1989 yield.

According to the provincial agriculture service, after the harvest, the total yield could be 33,649 tonnes and that there would be only 100 kilograms of paddy for one person. A local official estimated that "this year's yield cannot meet the needs of consumers; in the immediate future, there could be a food shortage."

This year's agricultural production is less than the previous year because of late rainfalls and the reduced area for cultivation due to fighting. In 1990-91 season, Kompong Speu Province plans to grow 1,500 hectares of dry season rice; by the fourth week of December, only 145 hectares had been planted. To assist in the dry season production work, the provincial agriculture service has made available 200 tonnes of 16-20-0 chemical fertilizer, 20,000 liters of diesel, and 10 90-horse power motor pumps.

VOK Interviews Ranariddh on Paris Talks Results

BK0401102591 (Clandestine) Voice of the Khmer
in Cambodian 0430 GMT 4 Jan 91

[Interview with Prince Norodom Ranariddh, personal representative of Samdech Norodom Sihanouk; commander in chief of the National Army of independent Cambodia; and general secretary of the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia, by a station correspondent on the outcome of the recent Paris meeting which sought a solution to the Cambodian issue—recorded]

[Summary] [Correspondent] Since you are a member of the Supreme National Council [SNC] and just attended the recent meeting in Paris, please tell us about the results of the meeting and comment on the process for peace in Cambodia.

[Ranariddh] First of all, I would like to pay my respects to all venerable monks and all compatriots in our liberated zone, as well as in the zone temporarily controlled by the enemies.

Now, I would like to report to you on the results of the 21-22 December meeting in Paris between the Indonesian and French cochairmen of the Paris International Conference on Cambodia [PICC] and the 12 SNC members.

After the five powers and the PICC cochairmen worked out a draft document for a political settlement of the Cambodian problem in Paris on 26 November, the two cochairmen had the duty to present this historic document to the SNC members. If our Cambodians and the future international conference accept, this document can settle the Cambodian problem justly, permanently, and very correctly. I would like to stress the following points:

1. On the first day of the meeting, the six SNC members from the tripartite resistance movement unanimously announced to the two cochairmen that all of them fully and unconditionally accept and support all UN framework documents, particularly the document dated 26 November 1990, for settling the Cambodian problem. "This is a definite stance that enables the national and international public to realize how much we, the representatives of our resistance movement, want peace for our Cambodian state, for our Cambodians. But peace requires a settlement in accordance with the UN plan. Only by doing so can there be a true peace that can bring sovereignty, independence, territorial integrity, and freedom to our Cambodia."

Meanwhile, the six other representatives from Phnom Penh did not say they accepted these documents. Instead, they asked the cochairmen and Mr. Rafiuddin Ahmad to explain some points they said were still ambiguous to them.

2. At the opening of the meeting, the French and Indonesian cochairmen clearly explained to the 12 members that the documents worked out by the big five which have become a UN document do not violate the UN Charter or Cambodia's sovereignty. This is contrary to the claim by Vietnam and the Phnom Penh regime that they cannot accept this document because it violates Cambodia's sovereignty and the UN Charter. Briefly speaking, this UN document for resolving the Cambodian problem is a correct document which respects Cambodia's sovereignty and the UN Charter.

3. After a lengthy discussion, the 12 SNC members and the cochairmen reached an agreement, of which the main points are:

A. The 12 SNC members unconditionally and unreservedly recognized, accepted, and supported the framework document of the United Nations. This is an important point because since the Jakarta meeting, the Phnom Penh regime and Vietnam kept rejecting this UN framework document.

B. All Cambodian factions accepted most of the fundamental points of this 26 November document. The remaining points will be discussed within the framework of the PICC Coordinating Committee.

C. The Paris agreement dated 23 December allows the Indonesian and French cochairmen to reconvene the PICC at an early date. "I have heard that this conference might be held at the end of January 1991 and not in November. Many countries, including Vietnam and Laos, and representatives of the four Cambodian factions will attend this conference. Thanks to the success of the Paris meeting, it is possible for us to advance the settlement process another step, that is the meeting of the PICC Coordinating Committee. "And in the future, if the Paris meeting to be held either in January, February, or March 1991 is successful, we will be able to immediately sign a permanent agreement on the settlement of the Cambodian problem."

[Correspondent] Thank you. In conclusion, do you have anything to say to the Cambodian people inside the country?

[Ranariddh] In conclusion, I would like to call on all venerable monks and compatriots inside the country to express your views to the Phnom Penh leaders and the Hanoi authorities. Tell them that we Cambodians love peace and want peace. Thanks to the international assistance, the fruit of peace is now ripe and within our reach; therefore, you should persuade the Phnom Penh regime to accept the UN framework document.

Since there are possibilities for us to end the war before our traditional New Year of 1991, we should do our best to make the Hanoi authorities and the Phnom Penh regime accept the UN document. We will certainly achieve peace, freedom, happiness, and reconciliation by then if we make this effort jointly.

Phnom Penh City National Council Issues Appeal

BK0401044291 (*Clandestine*) Voice of the National Army of Democratic Kampuchea in Cambodian
2315 GMT 3 Jan 91

["Appeal of the Phnom Penh City National Council to Our People Everywhere on the Election Maneuver of the Vietnamese Enemy Aggressors and Puppets and Traitors to the Nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's Lackeys"]

[Text] Our Voice of the National Army of Democratic Kampuchea radio received an appeal from the Phnom

Penh City National Council through our national resistance forces on the Northwest Phnom Penh battlefield on 28 December 1990. Following is this appeal in its entirety.

The National Council in Phnom Penh City would like to make the following appeal to our people's great united forces under the administration of village, commune, district, and provincial national councils everywhere.

1. In December, the Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys, carried out maneuvers to round up our people from all places in zones temporarily under their occupation to vote for them.

2. This is another perfidious maneuver of the Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys. The Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys, carried out this kind of maneuver to show people that the regime of the Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys, is a legitimate one fully supported by the people. In particular, this is to destroy the UN framework document for solving and ending politically and comprehensively Vietnam's war of aggression and race extermination in Cambodia, which requires free and proper general elections under UN supervision.

3. Great united forces of our people everywhere and national councils in villages, communes, districts, and provinces everywhere: please heighten your vigilance and hold aloft the banner to attack and completely and definitively defeat the election maneuver of the Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys.

To attack this maneuver of the Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys, people and national councils in villages, communes, districts, and provinces everywhere, please implement the "two destroy four build, three don'ts, three builds, and three weapons" policy and continue to unite as great national united forces to attack and dismantle the state authorities of the Vietnamese enemy aggressors and puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys. Set up village and commune national councils more actively and vigorously.

Only with this vigorous attack can we prevent the Vietnamese enemy aggressors and Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys, from carrying out maneuvers to dupe our people and can our people recover their rights and freedom and democracy to earn a living and solve their daily problems.

200 SRV Troops Reported Hidden Near Pich Nil

BK0401044891 (*Clandestine*) Voice of the National Army of Democratic Kampuchea in Cambodian
2315 GMT 3 Jan 91

[Excerpt] Civilians and our Cambodian national resistance forces on the Southwest Phnom Penh battlefield [Kompong Speu-Takeo Provinces] reported that at the end of December 1990, the Vietnamese enemy aggressors brought and hid approximately more than 200 genuine Vietnamese soldiers, with weapons, ammunition, and a lot of war materiel, at the foot of Phnum Kamchay on the eastern side in the (Anlung Phlov Loe) area, about 15 kilometers south of Pich Nil. This operation was conducted under the disguise of felling trees and transporting timber.

The reports also specified that the Vietnamese enemy aggressors have been busy hiding weapons, ammunition, and war materiel because they know puppets and traitors to the nation Hun Sen, Heng Samrin, and Chea Sim, Vietnam's lackeys, and the Vietnamese aggressors themselves cannot bear the pressure from the United Nations and the world. They cannot oppose the 28 August 1990 document of the five permanent members of the UN Security Council [UNSC], the 10 September 1990 Jakarta document, UNSC Resolution 668/1990, the 26 November 1990 detailed document of the Paris conference cochairmen and the UNSC five permanent members, and the 23 December 1990 Paris joint communiqué. [passage omitted]

Enemy Position in Battambang Attacked, 'Liberated'

BK0401035491 (*Clandestine*) Voice of the National Army of Democratic Kampuchea in Cambodian
2315 GMT 3 Jan 91

[Text] On 29 December, our national resistance forces attacked and liberated a platoon position held by the Vietnamese enemy, its puppets, and lackeys at Daeum Svay along the road from Ampil Pram Daeum to Bavel, which is part of the network defending Bavel district township [Battambang Province].

We killed 10 enemy soldiers, wounded 12 others, and destroyed an ammunition depot, five army shelters, and 10 weapons.

Indonesia

Alatas on 'Peaceful Solution' to Gulf Crisis

BK0401013091 Jakarta Domestic Service
in Indonesian 0000 GMT 4 Jan 91

[Text] Indonesia calls for a breakthrough for a peaceful solution to the Gulf crisis. In a year-end press statement in Jakarta last night, Foreign Minister Ali Alatas said that such a breakthrough is important as there is a little time for Iraq to withdraw its troops from Kuwait.

[Begin Alatas recording] We simply hope that there will be a breakthrough shortly and this conflict can be settled by political means although there is little time remaining. As you know, the United Nations has set 15 January as a deadline and will later authorize its settlement by other means apart from what has been agreed upon when an embargo was imposed. This is usually interpreted as a military solution. [end recording]

Speaking before a number of national mass media chief editors, as well as national and foreign correspondents, Minister Ali Alatas reiterated that Indonesia regarded the Iraqi annexation of Kuwait as the essence of the problem. However, a military solution to the crisis will have wide-ranging implications. An outbreak of war in the region will shake international political and economic stability.

He said that the Arab-Israeli conflict centering on the Palestinian struggle should be immediately resolved after the Gulf crisis is peacefully settled. He added that the Palestinian issue centering on the Palestinian people's struggle to regain their legitimate rights has now received less attention.

Iraqi, Kuwaiti Envoys Agree on Role in Gulf

BK0401020691 Jakarta Domestic Service
in Indonesian 0000 GMT 4 Jan 91

[Text] The Iraqi and Kuwaiti ambassadors to Jakarta have agreed that the Indonesian Government can play an important role in the process of settling the Gulf crisis. Speaking after meeting the two ambassadors in Jakarta yesterday, (Hilmy Aziki), secretary of the Indonesian Ulema Council, said that the Indonesian Government and people would probably play a role because of Indonesia's position as the largest Muslim nation, something acceptable to all sides.

On the occasion, Iraqi Ambassador Zaki 'Abd al-Hamid al-Hubba reiterated that his country did not want to go to war and hoped that Indonesia would play a role in overcoming the Gulf crisis.

Meanwhile, Kuwaiti Ambassador Khalifah al-Musallam said on a separate occasion that the Kuwaiti people did want a war and highly appreciated initiatives taken by Indonesian Islamic leaders to overcome the Gulf crisis.

Airline Spokesman on Gulf Flight Diversion

BK0401103791 Jakarta ANTARA in English 0955 GMT 4 Jan 91

[Text] Jakarta, Jan 4 (OANA-ANTARA)—The present situation in the Gulf does not compel the national flag carrier Garuda to divert its flight routes and schedules, the airline company's spokesman A. Aufar said here Friday.

Despite the nearing deadline set by the United Nations for Iraq to pull out of Kuwait on January 15, Garuda considers flights over the Gulf are still safe, the

spokesman said. However, in an attempt to avoid unexpected trouble, the airline has diverted routes closer to Saudi Arabia's territory and kept away from the area of confrontation, he explained. This has prolonged flights by 45 minutes, he added. In case war breaks out, he said, Garuda will make use of Karachi airport of Pakistan as a transit for refueling of fleet to European countries. Garuda's fleet will be given priority for refuelling in Karachi, Aufar said. The airline company will only change its flight routes and schedules aside from arranging adjustments in line with the permit it obtains if it finds the Gulf area is already insecure, he asserted.

Suharto To Visit India; State Visits Planned

BK0301141691 Jakarta ANTARA in English 0820 GMT 3 Jan 91

[Text] Jakarta, Jan 3 (OANA-ANTARA)—President Suharto is scheduled to leave for New Delhi to attend India's republic day on January 26, 1991, at the invitation of Indian Prime Minister Chandra Shekhar.

This was announced by Minister/State Secretary Murdiono to reporters at the Istana Negara, the state palace, on Thursday after the swearing-in of six Indonesian ambassadors by President Suharto.

Murdiono said that President Suharto would leave Jakarta on January 25 and return to Jakarta on January 27.

He also pointed out that Singaporean Prime Minister Goh Chok Tong would make a state visit to Indonesia on January 9 and 10, 1991.

During his visit, the Singaporean prime minister would hold discussions with President Suharto, while Indonesian and Singaporean ministers would have a separate meeting, Murdiono said.

The state secretary also announced that Czechoslovak President Vaclav Havel would make a state visit to Indonesia from January 16 through 18, 1991.

During his visit, the Czechoslovak president would have talks with President Suharto, Minister of Research and Technology B.J. Habibie and Minister of Mines and Energy Ginanjar Kartasasmita.

The state guest was also scheduled to visit Bali, Minister/State Secretary Murdiono said.

Oil Price Decrease Said Within 'Proper Level'

BK0401104091 Jakarta ANTARA in English
0924 GMT 4 Jan 91

[Text] Jakarta, Jan 4 (OANA-ANTARA)—The fall of the average oil price in the world market, which for the February 1991 deliveries quoted less than 26 U.S. dollars per barrel due to better peace prospects in the Gulf region lately, was, according to Indonesian Minister of Mines and Energy Ginanjar Kartasasmita, still within the proper level.

In a statement here on Friday, the minister further said that the level of the average world oil price was however still higher than the average OPEC check price of 21 U.S. dollars per barrel, thus posing no threat to oil producing countries.

It is encouraging indeed that the current fall of the oil price was due to favourable peace prospects in the turbulent Gulf region and not a consequence of a surplus of oil supplies in the world market, he stressed.

On the same occasion, Ginanjar also pointed out that the prospects of mineral commodities, including oil, tin and nickel, in 1991 were still influenced by the situation in the Gulf and world economic development, which according to several observers were declining compared with 1990.

Ginanjar further said that the Pertamina state oil company would not participate in the olefin center project, due to government policy, which did not allow Pertamina to invest in upstream industries.

As such, the Olefin center project which was valued at about 1.7 billion U.S. dollars and which had been approved by the Capital Investment Coordinating Agency (BKPM), would be given to a Shell consortium instead, although the site earmarked for the setting up of the project was Pertamina property, he added.

If the project construction will be carried out, Pertamina will sell the site to the consortium, otherwise the Pertamina will use it for one of its projects, Minister Ginanjar Kartasasmita said.

Laos

Kaysone Chairs 10th Enlarged Central Committee

BK0301122891 Vientiane KPL in English 0916 GMT 3 Jan 91

[Text] Vientiane, January 3 (KPL)—The 10th enlarged session of the Lao People's Revolutionary Party Central Committee [LPRP CC] opened here today under the chairmanship of its General Secretary Kaysone Phomvihane.

Participating were 348 LPRP CC Politburo members, LPRP CC members, members in the party committees of various provinces, venerables, intellectuals, Lao diplomats and businessmen.

At this session, the participants will exchange views on contribution to the drafting of the LPRP CC political report to be addressed to its 5th congress.

Acting President Greets Burma's Independence Day

BK0301134491 Vientiane KPL in English 0857 GMT 3 Jan 91

[Text] Vientiane, January 3 (KPL)—Acting President Phoumi Vongvichit of the Lao PDR [Lao People's Democratic Republic] has sent a message of greetings on

the 43rd independence anniversary of Myanmar [Burma] to general Saw Maung, chairman of the Council for State [Law and] Order Restoration of the Union of Myanmar.

The Lao acting president also extended his best wishes for the happiness of Myanmar people and expressed conviction that the existing relationship between Laos and Myanmar will increasingly develop in the interest of their peoples, of peace and stability in the region and the world over.

Radio Editorial Marks International New Year

BK0301162791 Vientiane Domestic Service in Lao 0430 GMT 1 Jan 91

[Editorial: "Let Our Army and People Forge Ahead To Win New, Ever Greater and More Brilliant Achievements in the New Year of 1991"]

[Text] Respected listeners, beloved comrades and friends—officers and men:

Today, 1 January, marks the beginning of the international new year of 1991 which has come to replace the old year of 1990. On this international new year occasion, we—the Army radio staff—wish our party and state leaders good health and sharp intelligence to lead our Lao Armed Forces and people to achieve glorious and ever greater success in fulfilling the cause of building and perfecting the popular democratic system. Also on this auspicious occasion, we wish all officers and men as well as multiethnic Lao people throughout the country good health and unity as one to firmly maintain and profoundly enhance, as never before, the tradition of solidarity between the Army and people and together fulfill the cause of building and defending the country.

This year, the international new year has come to us amid an atmosphere in which the whole world is marching toward the process of practicing new concepts in the political field, the concepts of civilized mankind of the new era which are aimed at turning the world toward the trend of peaceful coexistence in advance to the achievement of lasting peace, stability, and fraternity—the world people's aspirations. The international new year of 1991 has also come at a time while our entire party, Army, and people are actively and vigorously carrying out, in an enthusiastic atmosphere, the modification in all respects, in particular in the economic field, the state and social management, the defense of the country, and the maintenance of the independence and revolutionary gains.

It has come amid a joyous atmosphere in which our entire party, Army, and people are engaging in emulation campaigns to succeed new achievements to welcome the 20 January Army founding anniversary, the party founding anniversary, and the fifth party congress which will be convened in the near future. Therefore, it can be said that the international new year this year will bring about a special significance to the political life of our

entire Lao society which has been developed not only in terms of quantity, but also in terms of cohesion and strength of great solidarity of the entire people. These will be reflected through the revolutionary ethics as maintained and practiced by the new Lao people—the heroic and glorious Lao people who are the masters of themselves under the leadership of the talented Lao People's Revolutionary Party [LPRP].

In the past year of 1990, our Army and people have together recorded many great achievements in the cause of defending and building the country, which is the common cause of the entire nation. Those achievements can be seen through the facts that tranquillity has been basically maintained throughout the country, that unprecedented progress has been achieved in building and developing the national economy, and that the people have come to be confident in the party's leadership and to clearly understand the future of the nation which is marching forward along an ever brighter path of prosperity and progress. This means that the nation has switched from the old, difficult, and backward way to a new, comprehensively developed one.

Following the switch to the new way, developments have been achieved in all spheres. The solidarity between the Army and the people and the solidarity among the multiethnic people, as well as the international solidarity, have been increasingly promoted and expanded in accordance with the requirements of the revolution in the new stage. These have created favorable conditions for the nation to consistently achieve stability and developments. They have also made a great contribution, together with Vietnam and Cambodia, to the safeguarding of peace in the Indochinese peninsula and the world.

The victory won in the past year, the clear-sighted leadership of the LPRP, and the line of thinking of effecting new changes as put forth by the fourth party congress, as well as the various resolutions which define the path for the systematic socioeconomic development of the country for each stage in accordance with the practical conditions of our country, have become the physical, spiritual, and mental strengths for our armed forces and people to successfully fulfill the cause as entrusted by the party. They have also created a firm condition for us to carry out the cause in the next stage.

To continually promote and expand the achievements and victories in all fields recorded in the old year of 1990 and to march forward to win new, still greater, and more glorious achievements in the new year of 1991, let our entire armed forces and people fight in a united manner to overcome all obstacles and difficulties and devote with determination the physical and spiritual strength to the cause of defending and developing Laos to turn it into a prosperous and civilized country at an early date in accordance with the aspirations of our entire Lao people.

In the new year, let our cadres, combatants, and people together do away with all adverse things and settle all shortcomings left over from the old year; change and create new, ever more effective working procedures; build a new way of earning a living in accordance with a new standard of the Lao people under the popular democratic system and on the basis of the maintenance of a pure and clean spirit and excellent revolutionary ethics, the strict implementation of regulations and discipline, the spirit of industriousness and perseverance, innovative ideas, and the spirit of being willing to sacrifice personal interests for the interests and prosperity of the nation; and resolutely oppose all dissolute practices and practices of having pleasures with gambling and living in luxury in accordance with the way of living of those under the old regime.

On the occasion of the international new year of 1991, let all officers and men and people actively endeavor and together march forward to make a new determination, by not yielding to any obstacle or difficulty, and enhance the spiritual strength and all capabilities to fulfill all tasks, be prepared to shoulder all heavy, but honorable tasks of the revolution in the next stage and to accept historic tasks to be adopted by our party in the fifth congress which will be convened in the near future. Let our entire party, Army, and people be active and cheerful. We wish all officers and men and people happiness throughout the new year.

Philippines

Ramos Views Consequences of Gulf War

HK0401080591 Quezon City Radyo ng Bayan
in Tagalog 0510 GMT 4 Jan 91

[Statement by Defense Secretary Fidel Ramos on the consequences of the Middle East crisis to the country's national security and other issues at the "multi-sectoral dialogue" being held at the Plenary Hall of the Asian Institute of Management in Makati—live in English]

[Text] Today we are focused on the current situation in the Middle East and its probable ramifications on national security, as well as the current activities of the various threat groups in the Philippines.

In the Gulf, the situation remains critical as Iraq now has only 11 days to comply with the U.N. Security Council resolution authorizing the use of force against Baghdad by the 15th of January, unless the Iraqis leave Kuwait voluntarily and its former amir is restored.

President Saddam has remained insistent on his demand that negotiation should link the conflict to other Middle East issues. A demand which the U.S. has rejected. Unless this is heeded, Saddam has said that Iraq will never withdraw from Kuwait. On the other hand, the U.S. will continue to reject the holding of any conference

that would link Middle East issues to an Iraqi withdrawal. It wants to convey clearly and convincingly that the U.S. and the U.N. are serious about resorting to force.

As far as war capabilities are concerned, the opposing forces have the following strengths: Comparatively the multi-national force or MNF is dominant in terms of air and naval capabilities. However, Iraq outnumbers the MNF on the ground. To date, Iraq has around 1 million military men, 580,000 of whom are in or near Kuwait. An estimated 12 divisions are within Kuwait. The Kuwaiti coast as shown on this transparency is guarded by infantry; task: coastal defense, mines, anti-ship missile (?batteries) and Mirage fighters carrying Exocet anti-ship missiles.

For the Kuwaiti southern border: Iraqi troops are deployed behind multiple obstacle belts of 15 foot-high parapets, mine fields, rows of (?ratchet) wire, trenches and banks. Another eight divisions are believed to be deployed in the Saudi-Iraq-Kuwait border.

Around 250,000 men, including at least six Republican Guards divisions, with up to 1,800 tanks, hundreds of artillery species are dug-in in Southern Iraq. Furthermore, thousands of Iraqi regular Army commandos and volunteers trained in special operations are reportedly ready for suicide attacks, if war breaks out.

On the other hand, multi-national forces arrayed against Iraq number around 525,000; 325,000 more or less are Americans. The Arab-Islamic forces whose role in the northern Saudi desert may be merely symbolic have now reached more than 100,000; 75,000 of whom are Saudis and 14,000 are Egyptians. Other contingents of the multi-national force are little more than token forces.

For their power, the Iraqi Air Force is characteristically a mixture of Soviet-MiGs and French-Mirages. On the other hand, the U.S. led multi-national force has more than 940 combat aircrafts to include 352 long-range bombers; F-117 Stealth fighters; F-18s; F-16s; Tornados; Hawks; AWACS; and A-10 top [word indistinct] helicopters.

In terms of naval capabilities, Iraq has no significant Navy. On the other hand, the multi-national force has about 147 warships composed of carriers, battleships, amphibious assault ships, cruisers, destroyers, mine sweepers, and air supply vessels in the Gulf and in the Mediterranean. The MNF also has significantly superior intelligence and surveillance capability.

The threat of war remains real. In lieu of the inconclusive diplomatic efforts so far, there is continuous build up of the opposing forces in the Gulf and Baghdad's determination to remain in Kuwait. At this point in time, prospects for a peaceful solution of the Gulf crisis appear dim. Considering Iraq's intransigence, the multi-national force is likely to take military action come 15 January or immediately thereafter in the form of a quick surgical strike given the MNF's great air and high-tech advantage.

A swift operation is also needed to limit the destruction and to stop Saddam from attacking other targets, such as Israel; but also the Gulf states which are helping in the U.N. campaign.

The [words indistinct] up to the end of January to thoroughly prepare for such a massive and decisive strike.

Significantly, the possibility of Iraq contracting a pre-emptive strike before January 15 should also be taken into account in view of Saddam's unpredictable character. And once the war erupts, it is likely to escalate into a regional and Middle East war. Iraq will likely target Israel, Saudi Arabia, and the Kuwaiti oil fields. There is a high risk that chemical and germ warfare will be resorted to by Iraq. If so, this may lead to the use of other types of [word indistinct] destruction weapons. Also, the involvement of Israel in the war will put Arab unity to the test. The differing political postures of the Arab nations on various issues would likely further hamper the immediate resolution of the Gulf crisis.

Now what are the ramifications of the outbreak of hostilities in the Middle East on our national security. The eruption of a shooting war in the Middle East would aggravate our country's problems and bring about the following dire consequences: Problems on sourcing and higher cost of oil; dislocational loss of foreign exchange earnings of a significant portion of the 600,000 Filipino overseas workers in the Middle East; intensified protest and demand mass actions in the National Capital Region and key urban centers such as demonstrations, rallies, strikes, work slowdown and walkouts.

Significant increase in economic related crimes and civil disobedience; sharp rise in unemployment; mass discontent; and even food shortages. Widespread and volatile social unrest manifested by hoarding, panic buying, food riots, etcetera. Power shortages and power failures; transport shortages and transport paralysis; intensified terroristic and destructive acts by extreme leftist and rightist forces groups and even a major coup attempt.

On the Communist Party of the Philippines [CPP]-NPA [New People's Army]-National Democratic Front [NDF], the foregoing prognosis is better appreciated in light of the security threats the Philippines is currently facing. The CPP-NPA-NDF, after a prolonged and intense debate recently adopted by politico-military or pol-mil [political-military] strategy of seizing state power. They started to test this in the second welga ng bayan [national strike] which turned out to be very violent and destructive. This strategy calls for the combination of the armed struggle and mass action in the NCR [National Capital Region] and other key urban centers; the [word indistinct] of legal measures and illegal projects, the establishment of open and underground organizations, and the conduct of offensive and defensive military actions. It is expected that with the adoption of this new strategy, the conduct of urban partisan warfare will be emphasized. In this regard,

(?armed civil) partisans of the CPP's Alex Boncayao Brigade or ABB are actively involved in the organization of the so-called insurrectionary forces to lead mass groups and reserve combat forces. Moreover, the ABB has expanded its special partisan operations to include, and what I will enumerate now is based on captured party documents: Number 1: Operation Dirty Job involving the conduct of criminal activities to generate funds and other logistics. Two: political assassinations involving the assassination of selected personalities to generate propaganda and political mirage. Third: Extermination involving the redivision of quality and priority targets mostly in the military and police area, who have been enemies of the CPP-NPA-NDF and the carnapping of vehicles for special partisan operations. Believing that the ultra-rightist groups were about to launch major destabilization moves or another coup attempt during the Christmas season, the CPP-NPA moved into Metro Manila, various NPA teams. These teams were instructed to be in place in Metro Manila not later than the 23rd of December to civilian-military-police targets in their respective areas of operations. And fourth: To be prepared to operate in conjunction with ultra-rightist groups. Should another confrontation between rebel-military and loyal aide forces takes place, the CPP-NPA-NDF would join in the fray to make the conflict bloodier by operating against the exposed and moving elements of both camps, and at the same time mobilize the self defense units of their front organizations for violent mass actions, to include among others bombings and looting of supermarkets.

Captured party documents confirm that the CPP-NPA is prepared to undertake unilateral action against the government and the armed forces in case of another coup attempt. The recent adoption of the politico-military strategy by the party and the emphasis on urban insurrectionary warfare by the NPA further reinforces this probability.

What about the ultra-rightist threat groups? A review and analysis of the past seven coup attempts and all those activities and plans of these groups indicate the following developing scenarios: On the part of the RAM [Reform the Armed Forces Movement]-KSP or Kawal ng Sambayanang Pilipino [KSP-Soldier of the Filipino People], they are exerting and will continue to exert political, social and economic pressure by undertaking bombings and sabotage operations, issuing threats, and intimidating key government personalities and the private sector. Anticipating the development of an insurrectionary mood among the basic forces of society supported by the so-called middle forces, RAM-SFP are carefully assessing and waiting for the most opportuned situation and time to launch a coup cum revolution against targets such as military camps, and vital power and communications facilities with Malacanang as the primary target.

On the part of the YOU or Young Officers Union, they are now strategically and tactically linked to the RAM-KSP, and likewise are undertaking parallel terrorist

operations similar to the RAM-KSP. They differ somewhat from the KSP [words indistinct] their primary concern for the moment is not the proximate launching of another coup attempt, but the building and strengthening of their party, their armed component and their mass base. The attainment of their final objective is set not in the near term. [reporter interrupts giving a brief summary of Ramos' statement]

The RAM-KSP-YOU have intensified their agitation, propaganda campaign perceiving that the prevailing and anticipated political, social, and economic situation is favorable to their cause. For the rightist forces are gearing for a major destabilization move in the near future. The time frame shortly before or after the breakout of hostilities in the Middle East, therefore they are closely watching. Their basic plan believed to be a slight modification of their enclave concept initially calls for the taking and holding of some camps and vital facilities in Luzon, Visayas, and Mindanao to isolate Metro Manila, followed by military operations against Malacanang and AFP [Armed Forces of the Philippines] and Philippine National Police camps in the National Capital Region. Vital components of this plan are: risk to free their co-rebels from detention; disabling Philippine Air Force aircraft; a walkout or sitdown action by military personnel or units; and the assassination and hostage taking of key commanders to trigger a withdrawal of support from the present leadership.

What about the southern secessionists? The MNLF [Moro National Liberation Front]. Nur Misuari has remained silent on the Gulf conflict. However, the MNLF and its splinter groups, the MILF [Moro Islamic Liberation Front] and the so-called RAM-KKK which is the old Noble group, KKK means Kawal and Katimogang Kamindanaoan [Soldier of Southern Mindanao], are continuing to explore alliances at the tactical level to further their own causes.

What is our assessment? The volatile situation in the Middle East may result in a range of various scenarios. One scenario which is actually the present or base scenario would be a no-shooting war scenario between the protagonists and this has about a 30 to 45 percent probability. A second scenario is the scenario hoped for by the U.S. and the anti-Iraqi coalition forces, which is a war of short duration. This is estimated to have a 40 to 55 percent probability. The worst scenario is a shooting war with no decision in about 10 days; the [words indistinct] and global guerrilla warfare or terrorist actions by extremist groups allied to Iraq. The scenario is estimated to have up to 30 percent probability.

There is no question that any scenario of a shooting war will adversely affect our country; the gravity of which is dependent on the duration and the intensity of the conflict scenario and how adequately the government is able to deal with these effects.

The political, economic, and social stability as well as the security, peace and order of the country will be greatly

threatened. Economic hardship brought about by high prices, shortages of food supply, transport and power; increased unemployment; and massive losses in productivity and foreign exchange revenues will cause serious destabilization. There will be a sharp rise in criminality which would further aggravate the peace and order condition in the country. Also the probability of the various threat groups in the country exploiting the situation would be increased.

Our conclusion, indeed our country is facing very difficult and trying times. Our economic viability, social stability and political freedom are about to be tested to their extreme limits. Our best weapon therefore is the combination of full knowledge of what may probably happen and the political will to do what is necessary to minimize the impact of the crisis. This will require the unity, solidarity and teamwork of all sectors. The defense- security sector is ready to perform its part in collaboration with all others under the national leadership. All throughout, sobriety, confidence, and self sacrifice are vital. Perhaps, there may even be opportunities awaiting. So, my colleagues, we can handle this—the Middle East crisis, the shortage of basic needs, rebels' coup d'etat, communism and terrorism, crime and calamity, the Filipinos will handle them all. We can overcome the crisis if we are prepared and united. [last two sentences in Tagalog]

Government Assailed for Mishandling Gulf Crisis

HK0401040591 Manila PHILIPPINE DAILY
INQUIRER in English 4 Jan 91 p 4

[Editorial: "Gov't Response To Crisis Is Far From Reassuring"]

[Text] President Aquino has asked Congress to meet in a special session to pass legislation granting her emergency powers to deal with contingencies arising from a war in the Gulf.

The measure would give the President powers to regulate and control the supply and distribution of foodstuff, fuel and other prime commodities, take over public utilities and businesses when public interest so requires, regulate working and store hours, and suspend labor laws and standards which may impede the production or distribution of essential items. It would also prescribe penalties for violations of orders issued by the President in the exercise of such powers.

Explaining why she is seeking such extraordinary powers, Ms. Aquino said these are needed to enable her "to respond to the crisis."

With less than two weeks left before the United Nations-imposed deadline for Iraq to withdraw its occupation army from Kuwait, the request for emergency powers, like other contingency plans, seems a little too late. But as the cliché goes, it's always better late than never, and Congress should forth with act on Malacanang's request.

It's not that war is sure to erupt the moment the deadline passes, even though U.S. President George Bush seems bent on ordering U.S. war planes to bomb Baghdad at the earliest opportunity. But the eyeball-to-eyeball confrontation in the Middle East and the war of words of the past five months have already spawned a crisis in our shores manifested by rising prices, a shortage of foreign exchange, high interest rates, and worst of all, a crisis of confidence in our leaders' ability to cope.

The proposed legislation on emergency powers itself reveals the paucity of thought and imagination that went into its drafting. By seeking powers designed to stop hoarding and check profiteering, Ms. Aquino and her advisers give the impression they consider the whole problem as simply one of distribution.

True, crises bring out the worst in many a businessman. In the past few months, there has been altogether too much opportunism and profiteering. It seems everyone, from the gas dealer to the tricycle drive, from the giant chain-store owner to the fish vendor, has been cashing in on the Gulf crisis. Everyone, except the fixed wage earner and aged pensioners, has been piling up profits. With the situation expected to worsen, the time has long passed for government to step in according to the limits allowed by law.

Still, however serious they are, hoarding and profiteering are not half as worrisome as the possibility of an actual shortage of essential commodities. On this score, what is known about the government's contingency plans appears hopelessly inadequate. For hardly do they ever mention any programs to ensure adequate supplies of food and other essential items. Government planners could have asked, for instance, how our vast marine resources can be tapped to fill up any shortfall in food imports. They could have drawn up a crash food production program, and worked out ways of flushing out the dollars needed for vital imports, such as oil, now being hoarded by the rich and petty speculators.

Another problem is getting half a million Filipino workers in Saudi Arabia out of harm's way when the bombs start falling. But instead of alleviating the problem, the government let it grow by allowing new workers to leave for that country and neighboring Middle Eastern states even after the crisis erupted.

Rather than inspire confidence, the administration's response to the crisis, or the lack of it, only serves to exacerbate the popular feeling of hopelessness and embattlement. By starting the debate on emergency powers, Congress can open official windows to new ideas about coping with the crisis from other sectors. If only for this reason, it should convene a special session very soon.

Controversy Mounts Over U.S. Base Use in Gulf

HK0401034191 Manila PHILIPPINE DAILY
INQUIRER in English 4 Jan 91 p 1

[By Fidel F. Asor, Jr. and Arthur Bariuad]

[Text] Senate President Jovito Salonga yesterday refuted the assertion made by Senator Wigberto Tanada that U.S. military facilities in the country cannot be used by

the Americans in a war against Iraq since this would be tantamount to the Philippines declaring war on Iraq.

Also yesterday, the National Democratic Front (NDF) warned President Aquino that it would launch "intense and all-out politico-military offensives" should the government allow the United States to use its facilities in the Philippines as staging grounds for military operation in the Persian Gulf.

Commenting on the issue, Salonga pointed out that "the use of the bases is merely an enforcement of a United Nations Security Council resolution. Technically, it can't be considered a declaration of war."

He said that since the Philippines is a member of the UN, the Security Council resolution is binding on it.

Salonga stressed that there is a big difference between enforcement of international laws (UN resolution) and declaration of war, brushing aside fears by Tanada that Iraq might hit back at the Philippines in the future. Iraq is one of the major suppliers of crude oil to the Philippines.

"Ang [The] UN resolution, that's not war. That's an enforcement. There is that technical distinction in international law. Because war has been outlawed under the UN charter, it is an enforcement action pursuant to the UN resolution," the senior stressed.

But Salonga said the bases can be used only with prior consent from the Philippine government.

He said this agreement is contained in the resolution which allows the use of force against Iraq should it refuse to leave Kuwait after January 15.

Some 13 U.S. warships made a stopover at Subic Naval Base late last week and are now enroute to the Persian Gulf.

Salonga added that the bases in the country would not be the principal base of operations in the Persian Gulf because the principal base will be Diego Garcia in the Indian Ocean, which is nearer to the Middle East.

The NDF, meanwhile, aired its warning amid reports that the U.S. has used Subic Naval Base to beef up allied forces now massed in the Persian Gulf in preparation for the war. Reports also said that more ships from the U.S. West Coast and Diego Garcia are expected to arrive at Subic within the week for a last stop and last minute repairs before proceeding to the Middle East as the Jan. 15 UN deadline approaches.

The NDF, the umbrella organization of the communist insurgent groups, said that the "Aquino government's support for U.S. policy in the Middle East seriously jeopardizes the safety of tens of thousands of Filipino contract workers."

It also said that "such provocative actions taken by the U.S. mean only one thing, that it is gearing for war. U.S.

imperialism's posture brazenly demonstrates its aggressive interventionist policy with regard to internal affairs of other countries."

Defense Secretary Fidel Ramos was quoted recently as saying that the U.S. can use their installations here for Gulf operations as they are allowed unhampered military operations under the 1947 Military Bases Agreement (MBA) although some senators warned that such use of the bases as staging ground may drag the Philippines into direct participation in the war.

The NDF also said that U.S. interference and intervention in the Gulf crisis only aggravate tensions, instability and conflict among nations in the area. "The countries in the Gulf area should be free to settle their differences without foreign interference."

NDF Warns Against U.S. Bases Use in Gulf War

HK0301114391 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 1100 GMT 3 Jan 91

[Text] The Filipino nation is ready to fight the government if it permits U.S. use of its military bases in the country as launching pads in the Gulf war. This is the warning issued by the National Democratic Front [NDF]. In a press statement, NDF Vice Chairperson Luis Jalandoni said the U.S. is using the United Nations Security Council's resolution in its policy of interfering in other countries' affairs for its own interest. Thirteen U.S. ships carrying 13,000 soldiers left Subic Naval Base for the Middle East. At the same time, the NDF warned that the U.S. may possibly be the one to spark war in the Gulf region.

Manglapus Cites Main Issues on Base Talks Agenda

HK0401105791 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 4 Jan 91

[Text] Foreign Affairs Secretary Raul Manglapus told President Aquino the three top issues on the agenda of the next Philippine-U.S. cooperation talks. Tanny Rodriguez has the details:

[Begin recording] In a meeting in Malacanang, Manglapus said that the three main issues to be discussed are operations of the military bases in the country, the position of U.S. military forces in terms of Philippine jurisdiction, and the bases compensation issue. According to him, the government will reiterate sovereignty over the U.S. installations and they will not be allowed to have blanket authority over the areas where they are. Regarding the bases compensation, Manglapus told the president that the matter of discussion is not simply real estate but mutual deeds of both countries. He said that the next meeting on 8 January would be a good chance to discuss the economic needs of the Philippines with the United States, its longtime friendly ally. [end recording]

Alleged NPA Destroys Plantation, Equipment

*HK0401031991 Quezon City Radyo ng Bayan
in Tagalog 0300 GMT 4 Jan 91*

[Text] Over P7 million [Philippine pesos] worth of valuable equipment and a sugar cane plantation were set on fire today in Barangay Murcia and Kabankalan, Negros, by men believed to be members of the New People's Army [NPA]. Police said some 100 armed NPA members burned down machinery belonging to the Victorias Milling Company at Sitio Antolan, Barangay Santa Cruz, Murcia. Among the equipment burned were two tractors, one hydro-loader and two cane trailers.

Meanwhile a group of NPA men burned 13 hectares of cane fields in Kabankalan. The authorities are investigating the incidents.

Streamlining of Malacanang Offices Discussed

*HK0401103391 Manila MANILA BULLETIN
in English 4 Jan 91 pp 1, 4*

[By Marcia C. Rodriguez]

[Text] Twelve of the 54 agencies under the Office of the President will be abolished, 22 councils, committees, and other bodies will be merged, and 13 other offices will be transferred to relevant executive departments, Malacanang sources said yesterday.

President Aquino is reportedly set to reorganize the agencies and offices in an effort to improve coordination through "unity of command," simplify or unclutter the Office of the President, and trim the bureaucracy to cut administrative costs.

The reorganization is expected to reduce the public sector deficit which now amounts to P60 [peso] billion.

Mrs Aquino has decided to reorganize first the Office of the President to give her the "moral right" to demand sacrifices from other agencies of government, the sources said.

Agencies proposed to be abolished are the following:

Peace negotiating panels, Housing and Urban Development Coordinating Council, the Joint Legislative-Executive Peace Council, Office of the Peace Commissioner, Presidential Executive Coordinating System, Philippine Coordinating Committee on the Asian Development Bank, Presidential Committee on the Public Ethics and Accountability, Presidential Legislative Liaison Office (or merged with the Office of the Executive Secretary), Project Facilitation Committee, Socobina Development Authority, Staff for Non-Government Organizations Liaison, and the secretariat of the Coordinating Council on the Philippine Assistance Program [CCPAP].

Expected to be merged with the Office of the Executive Secretary (OES) are the Office of the Press Secretary (OPS), Presidential Management Staff (PMS), Cabinet

Secretariat, Presidential Commission for the Urban Poor (PCUP), Presidential Council for Youth Affairs (PCYA), and the National Commission on the Role of Filipino Women (NCRFW).

Some of the presidential actions could be effected through executive orders but others will require legislation, it was learned.

The functions of the abolished CCPAP secretariat, the Committee on Official Development Assistance (CODA), and the Project Facilitation Committee are expected to be integrated into the Investment Coordination Committee of the National Economic and Development Authority (NEDA).

The various Cabinet clusters with counterparts in the NEDA will also be abolished except for Cluster E on security and political matters.

The Games and Amusements Board, the Philippine Gamefowl Commission, and the Philippine Racing Commission (PRC) are likewise proposed to be merged with the Philippine Sports Commission (PSC) which is also under the Office of the President. The size of the PRC was proposed to be reduced.

The Movie and Television Review and Classification Board (MTRCB) and the Videogram Regulatory Board (VRB) will be merged and placed under the Department of the Trade and Industry (DTI).

The CCPAP is expected to be merged with the NEDA, other offices to be merged and placed under the NEDA are the National Statistical Coordination Board (NSCB), the National Statistics Office, and the Statistical Research and Training Center.

To be merged and transferred to the Department of Interior and Local Government (DILG) are the Office of Northern Cultural Communities, Office of Southern Cultural Communities (OSCC), Office of Muslim Affairs, and the Kalinga Special Development Authority.

Agencies to be transferred from the Office of the President to relevant departments are: the Commission on Filipinos Overseas (CFO) to the Department of Foreign Affairs (DFA); National Computer Center (NCC) to the Department of Budget and Management (DBM); National Stud Farm to the University of the Philippines (UP); Philippine Commission on Culture and Arts to the Department of Education, Culture, and Sports (DECS).

Agencies proposed to be retained as they are the following: the Energy Regulatory Board, Office of Energy Affairs, National Intelligence, Coordinating Agency, National Security Council, Council of State, Autonomous Regions in Region No. 9 and 12 and the Cordillera Administrative Region, Presidential Agrarian Reform Council, Presidential Commission on Good Government, Presidential Committee on the Philippine Nuclear Power Plant, Joint Legislative-Executive Foreign Debt Council, Metropolitan Manila Authority, the Securities

and Exchange Commission, Housing and Land Use Regulatory Board, and the National Reconciliation and Development Council.

Detained Communist Leader May Be Released Soon

HK0301023991 Manila THE MANILA CHRONICLE
in English 3 Jan 91 p 7

[By Bert Castro]

[Text] Government lawyers yesterday announced they would not block any move for the conditional release of Carolina "Bobbie" Malay, suspected communist leader and one of the negotiators of the National Democratic Front (NDF) in the failed 1986 peace talks.

Assistant Chief Staff Prosecutor Nilo Mariano said the government will not oppose any motion of Malay's lawyers for her release "for humanitarian reasons." Mariano heads the task force of the Department of Justice (DOJ) handling cases of political detainees.

But Mariano revealed that up to now, Malay's lawyers have yet to file a motion for her release on bail.

He said that the inaction might be due to Malay's indecision on whether to seek conditional freedom on bail or the outright dismissals of the charges against her.

The detainee's mother, Paula Carolina Malay, had asked DOJ officials to facilitate the release of Bobbie and her husband, Satur Ocampo, during the human rights day celebration last Dec. 10.

Paula Malay cited letter of instruction [LOI] No. 621 in seeking freedom for her daughter and son-in-law. The LOI provides guidelines on the arrest, custody, treatment and disposition of detainees.

Under that LOI, Paula Malay argued that Bobbie and Satur were entitled to be released.

Mariano, however, discounted any possibility for Ocampo's conditional release.

Bobbie and Satur were detained in Camp Crame after they were arrested in Makati in 1989. They were later charged with murder, illegal detention and illegal possession of firearms in furtherance of rebellion. Paula Malay said that the LOI has already made these charges bailable.

Military Asks for Supplementary Appropriation

HK0401034391 Manila THE MANILA CHRONICLE
in English 4 Jan 91 p 1

[By Manny Mogato]

[Text] Military leaders want a supplementary appropriation to cover for the large cuts in the House-approved P21.8-billion [Philippine Peso] budget for 1991.

Armed forces chief Gen. Renato de Villa said since there is very little chance that the cuts in the proposed budget

will be restored, the AFP [Armed Forces of the Philippines] would ask for a supplementary appropriation to sustain the counter-insurgency drive.

He said the AFP expects a 50% reduction in military mobility and operations which would disrupt government's campaign to neutralize and defeat armed threats.

The air force and the navy would be the hardest hit by the budget cuts because of their multi-billion peso modernization programs.

Army chief Maj. Gen. Guillermo Flores said he would reduce the number of infantry battalions for additional savings.

There are 76 battalions deployed nationwide in eight infantry divisions. Flores wanted each division to have at least three infantry brigades and nine infantry battalions as mobile and maneuver forces.

The army units in southern Luzon, southern Mindanao and in northern Mindanao would be affected by the disbandment of four battalions.

The personnel in the disbanded units would be transferred to other undermanned units, especially those assigned in eastern Visayas.

Other personnel would be dismissed, especially those who had taken part in the previous coup attempts.

Flores said he is planning a "lean and compact" army and has plans to reduce the ground force from 72,000 regulars now to only 60,000 in the next three to five years.

Military Says Mass Grave Found in Masbate

HK0401033391 Manila THE MANILA CHRONICLE
in English 4 Jan 91 p 9

[Text] The military yesterday said it had discovered the graves of eight persons, believed to have been killed by communist rebels, in Masbate.

Lt. Col. Rogelio Monfort, Masbate provincial commander, named the dead as Jesus Baruelo, 38; Antonio Mirasol, 37; Litoy Peralta, 19; a certain Toledo, around 43; a certain Motita, around 40; and three other unidentified persons.

In his report to Defense Secretary Fidel Ramos, Monfort said the victims were probably killed for refusing to give in to extortion by New People's Army (NPA) guerrillas.

Their skeletal remains were unearthed from two separate graves in Sitio Irong-Irong, Barangay Locloc, Mobo, last Dec. 19.

This is the second grave of its kind reported by the military in Masbate.

General Reports on Failed Dec 90 Coup Attempt

HK0301015191 Manila Far East Broadcasting Company in Tagalog 0100 GMT 3 Jan 91

[Text] Joint forces of the Communist Party of the Philippines-New People's Army [CPP-NPA] and the Reform the Armed Forces Movement-Young Officers Union would have staged a coup last December if the military had failed to prevent the bombing of Basa Air Base in Pampanga. Armed Forces of the Philippines Civil Military Operations Chief Brigadier General Emiliano Templo made this announcement yesterday. According to him, an unidentified number of CPP-NPA operatives infiltrated Metro Manila in order to launch the joint uprising which was scheduled between 20-26 December. The rebellion plan failed when the military intercepted and arrested four suspected people who were supposed to sabotage the air base on 22 December.

Suspected NPAs Ambush Vice Mayor's Aides

HK0101080491 Manila DIYARYO FILIPINO in Tagalog 27 Dec 90 pp 1, 7

[By Fer Taboy and Jaime Roquero]

[Text] The Philippine Constabulary-Integrated National Police [PC-INP] accused the communist rebels of slaying two aides of Angeles City Vice Mayor Edilberto Pamintuan. This allegedly was part of the Communist Party of the Philippines-New People's Army [CPP-NPA] 22d anniversary celebration. Archemedes Simbulan, 40, Pamintuan's political adviser; and Ramon Garcia, 39, driver, were ambushed on 24 December.

According to a report received by Major General Cesar P. Nazareno, PC-INP chief, from Brigadier General Manuel Bruan of Central Luzon, the victims were killed by suspected NPA members to prove their movement's successful offensives against the military. Prior to the ambush, the rebels issued threats against Pamintuan and some of his men. Elements of the Angeles Police Station suspected that Pamintuan was the target of the suspects when they ambushed the two victims, who were riding in a military jeep at about 0930 on MacArthur Highway in Sto. Domingo, Angeles.

Pamintuan condemned the rebels for the ambush of Simbulan and Garcia and strongly accused the leftist group of being traitors.

Meanwhile, suspicion is high that there has been an attempt to silence leftist supporters in Pampanga due to the series of killings of left-leaning residents in the province since last month.

A new angle surfaced when it was discovered that Simbulan was on the list of suspected communist leaders in Angeles. It was alleged that the list, which included 36 other communist leaders, was circulated by the military who launched special operation tactics.

Salvado Roluna, 25, alias Comrade Marvin of the Northern Samar Revolutionary Committee, surrendered to the Central Police District chief. Roluna announced he had a difficult life in the NPA, and he decided it was better for him to surrender to the government.

PC-INP on Alert in Southern Mindanao

HK3112102190 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 31 Dec 90

[Text] All Constabulary and Police members were alerted in southern Mindanao to thwart any disruptive moves by elements who may exploit the new year's celebrations later tonight. The regional PC-INP [Philippine Constabulary-Integrated National Police] commander Colonel Manuel Salimbangon warned the soldiers and policemen against firing their service weapons. He ordered his men to watch for people who may use any kind of explosives.

Political Party Backing Federal System Accredited

HK0401040991 Manila BUSINESS WORLD in English 4 Jan 91 p 10

[Text] The Commission on Elections yesterday accredited Pilipinas '92, an organization which pushes for a federal system, as a registered political party.

With the Comelec's decision, party chairman Senator John H. Osmena said the aggroupment will pursue three strategies starting next month aimed at establishing a federal political system.

It will draft a letter signed by three million individuals and addressed to the Senate so that the federal system will be pushed in the Upper Chamber;

It will petition for an amendment to the Constitution; and

It will support in the 1992 elections for congressional and senatorial candidates those who will in turn support a federal system of government.

Under the proposed system, the national/federal government will have exclusive jurisdiction over foreign affairs, defense and security, currency, weights and measures, customs and tariffs, posts, national, civil and criminal laws.

On the other hand the regional governments will take over local government, police, natural resources including power, agriculture, land use, health and regional laws.

The federal and regional governments will have shared jurisdiction over economic planning, education, transportation, communication and commercial laws.

On the fiscal operations, the federal government will handle border taxes, while property and transaction

taxes are delegated to the regional and local governments. Income taxes will be shared by the federal and regional governments.

The regional government will have residual powers and powers not explicitly assigned to the federal government will be vested to the regional government.

Sen. Osmena said: "A major drawback in our country's economic and political development is the highly centralized system of government which is the source of most if not all power and authority."

Finance Department Gives Scenario Without IMF

HK0201030591 Manila THE MANILA CHRONICLE
in English 2 Jan 91 p 6

[Text] The country's international reserves will dwindle to only \$21 million in the middle of 1991, or good for only a day's worth of importations, if the country fails to get a new economic stabilization program with the International Monetary Fund [IMF] early this year, according to a study on the worst-case economic scenario this year made by the Department of Finance [DOF].

At worst, the economy will then contract by 8.7% this year if the government shifts the burden of artificially stabilizing petroleum prices to the oil companies which, in turn, will have to cut oil supply by 20% as the world market prices of crude-oil remains high.

This scenario assumes that without a country program with the IMF, foreign creditor banks will cut credit lines to the country to finance its importations.

At an economic decline of 8.7% this year, the DOF study pointed out that inflation rate will be a high of 19.9%.

At best, the DOF noted that the country can post a 2% growth rate and an inflation level of 16.4%, assuming fiscal and monetary targets are closely followed and the government reflects world market oil prices on the local prices of petroleum products as it did last December 10.

The worse-case scenario pictured by the DOF showed that at the start of this year, the country's holdings of gold, special drawing rights, foreign exchange and foreign investments will stand at \$1.75 billion, or equivalent to 94 days' worth of imports.

Without an IMF program, the government has warned that international creditors and investors will cut off credit line and other transactions with the Philippines.

As a result, the country will face difficulties in raising enough foreign exchange to cover importations, particularly for crude oil.

It is anticipated that this year, the country will have to shell out \$71 million a month to cover for its crude oil imports.

At the same time, the Philippines will also have to cover principal and interest payments to foreign creditors

which will amount to \$460 million in January and gradually decrease to \$189 million by June this year.

The DOF study, meantime, reported that at worst, the Philippines will have to count on its international reserves level composed of program loans disbursed by the multilateral and bilateral fund sources.

Thailand

Athit Views Evacuation Plan, Gulf Issues

BK0301151791 Bangkok Domestic Service in Thai
1200 GMT 3 Jan 91

[Text] Foreign Minister Athit Urairat said that the Thai Foreign Ministry has extended full cooperation for Deputy Interior Minister Watthana Atsawahem's upcoming visit to Saudi Arabia to prepare for the evacuation of Thai workers to safety areas. The Foreign Ministry has informed the Saudi Government of the visit and the Saudi Government has approved the visit on a nonofficial basis. But later on, the Saudi Embassy in Thailand told the ministry to ask Watthana to postpone his visit because a Thai newspaper had reported that Watthana would discuss with Saudi officials the evacuation of Thai workers; this is not in accordance with the purpose of the visit as requested, which was for Watthana to meet with Thai officials. As a result, the Foreign Ministry has instructed the Thai Embassy in Saudi Arabia to explain the issue to the Saudi authorities and to ask them to reconsider Watthana's visit.

Regarding the evacuation of Thai workers in the Middle East, the foreign minister said that the cabinet had already approved the evacuation plan. We have prepared to evacuate about 55,000 Thai workers along the border to safety areas and will try to implement the plan according to the situation. There should be no problem in implementing the plan.

Asked about the progress of Thailand's offer to act as a middleman between Iraq and the United States to resolve the deadlock in negotiations, the foreign minister said that he made the offer, during a meeting with the Iraqi ambassador to Thailand, for a meeting between the Iraqi and U.S. ambassadors to Thailand, which may be beneficial to help resolve the deadlock in fixing the dates for negotiations between Iraq and the United States. The Iraqi ambassador to Thailand has agreed to first consult with his government on this offer. There is still no reply from the Iraqi ambassador.

Finally, the foreign minister said he thought that a solution to the Gulf problem might be found before 15 January.

Deputy Interior Minister Cancels Saudi Trip

BK0401020391 Bangkok THE NATION in English
4 Jan 91 p A1, A2

[Text] Deputy Interior Minister Watthana Atsawahem yesterday cancelled his planned visit to Saudi Arabia in protest at what he described as a snub by the Foreign Ministry.

Watthana claimed at a press conference that the ministry had failed to facilitate his visit to Saudi Arabia. Sources close to him hinted that he was upset that Foreign Minister Athit Urairat, during his recent visit to the Middle East had "stolen his thunder".

Riyadh reportedly changed its mind on issuing the deputy interior minister with a visa when it learnt from reports that he wanted to discuss the evacuation of Thai workers from the Gulf with Saudi authorities—a topic that had already been broached by Athit.

An angry Watthana declared yesterday that he served under only two superiors—Prime Minister Chatchai Chunhawan and Interior Minister Pol Gen Pramarn Adireksarn. He said that he did not have to obey Foreign Minister Athit and the "arrogant aristocrats" at the Foreign Ministry. Watthana belongs to the Ratsadon Party while Athit is spokesman for the Solidarity Party.

Interior Ministry sources said that Watthana was upset to learn from Athit's secretary that the foreign minister could not be reached on the phone to discuss the problem with the deputy minister. Athit was reportedly attending a meeting.

Watthana left a message for Athit to return his call as soon as possible, but he was kept waiting for two hours, the Interior Ministry sources said.

Watthana was reported to be discontent with earlier reports that Athit had visited the camps of Thai workers in Saudi Arabia, viewing it as "stealing the show" from the deputy interior minister who is in charge of labour affairs.

But Foreign Minister Athit described the uproar as a misunderstanding.

"As a matter of fact, the Saudi Arabian government had earlier agreed to issue a visa to Deputy Minister Watthana but changed its mind following a report that Watthana would discuss with Saudi Arabian labour authorities the evacuation of Thai workers in Riyadh," Athit said.

Athit said the Thai Embassy in Riyadh was instructed to urge the Saudi Arabian government to stick to the original plan, clarifying that Watthana did not have any plan to meet Saudi Arabian authorities.

Foreign Ministry sources said that Riyadh had earlier agreed to grant Watthana the entry visa on the basis that the deputy interior minister would visit Thai workers to prepare for their relocation from prospective battle

zones to safe havens. That, according to the sources, was seen by Riyadh as the internal affairs of Thailand.

The deputy interior minister was to have left for Saudi Arabia tomorrow on a five-day visit to oversee preparations for the evacuation of about 80,000 Thai workers from danger zones should war break out between Iraq and the US-led international forces after the UN-imposed Jan 15 deadline for Saddam Husayn to withdraw from Kuwait.

His trip was to have been a follow up to the recent Middle East visit by Athit, who sprang a diplomatic initiative by siding with Saudi Arabia and Kuwait in an effort to patch up the strained ties with Riyadh.

Watthana did not explain exactly how the Foreign Ministry had slighted him, but hinted that it had failed to facilitate his trip to the Middle East.

"The Foreign Ministry readily gave many journalists the go-ahead to join in the trip and only the deputy interior minister was given no respect," he complained.

The Foreign Ministry's treatment of him was in sharp contrast to the message from the Saudi Arabian government that it was ready to welcome him, Watthana said.

Athit, however, said that Watthana had to contact Saudi Arabian authorities through diplomatic channels within the two foreign ministries.

The foreign minister said that he was trying to get hold of Watthana to clear up the misunderstanding.

The deputy interior minister, who is in charge of the Labour Department, had earlier been involved in a squabble with the Foreign Ministry when he lashed out at the Thai ambassador in Singapore for failing to facilitate his trip to the ASEAN partner to visit Thai workers who were reportedly hit by a spate of mysterious sleeping deaths last year.

Former deputy foreign minister Praphat Limpaphan was also assuming a high profile at the time by expressing the government's concern for the conditions of the Thai workers there.

Watthana said he had decided to cancel the trip just two hours before giving the news conference and would inform Premier Chatchai of his decision.

"I want to let workers nationwide know that I am calling (the trip) off and from now on, relatives of Thai workers in the Middle East should contact the Foreign Ministry regarding their fate and well being," he said.

The deputy interior minister said his move would not affect the evacuation plan for Thai workers in the Middle East because Deputy Premier Gen [General] Athit Kamlang-ek of the Puangchon Chaothai party had effectively worked out the details.

The Cabinet has also earmarked Bt [baht] 250 million to fund the evacuation plan and if the budget is insufficient, an additional allocation could be made to help the Thai workers, Watthana said.

He said that he had no wish to quarrel with Athit. In launching the broadside against the Foreign Ministry and calling off the planned trip, he added, "I am only reacting to what the Foreign Ministry has done to me."

Athit, who came under fire for taking sides with Saudia Arabia and the Arab emirates fearful of Iraqi leader Saddam Husayn's military strength, yesterday defended himself against attacks by the Opposition, which has claimed that the Foreign Minister jumped the gun by taking one side in the Arab world.

"We cannot be greedy of gains regardless of the principles. Under the present circumstances, we have to take sides," Athit said.

Athit's aides said that Thailand was not actually breaking ranks with ASEAN on the issue because different ASEAN members were taking different stands on the Gulf crisis.

Fur Reportage on Athit's Middle East Trip

Spokesman Clarifies Trip

BK0401070691 Bangkok Domestic Service in Thai
0530 GMT 4 Jan 91

[Text] Prime Minister's Office Spokesman M.R. Pridiyathon Thewakun spoke to reporters at Government House at noon today about Foreign Minister Athit Urairat's visit to Saudi Arabia to observe preparations for an evacuation of Thai workers in that country. He said the prime minister asked him to inform the public that the purpose of the foreign minister's visit was to oversee the safe evacuation of Thai workers in the event of hostilities and to inform Saudi officials on the matter to ensure cooperation. In addition to this topic, the foreign minister probably brought up other issues to show Thailand's courtesy and willingness to help in time of crisis, such as by possibly sending technicians there. No commitments were involved in this, because the foreign minister will have to report on his discussions in Saudi Arabia to the prime minister for consideration whether the offers made during the discussions should be reconfirmed in principle.

Regarding an evacuation plan for Thai workers in the event of a crisis, the spokesman said an ad hoc committee was already formed to carry out the action in accordance with the formulated plan. A budget of 587 million baht has been set aside for the prime minister to order its immediate use in case of an emergency.

The spokesman said 139 Thai workers currently remain in Iraq, and by 13 January 61 of them will return home, while more will return gradually. He said the foreign

minister and Deputy Interior Minister Watthana Atsawahem have cleared up their misunderstanding.

Armed Forces Head Criticizes Athit

BK0401011391 Bangkok THE NATION in English
4 Jan 91 p A1

[Text] Supreme Commander Gen Sunthon Khongsomphong yesterday strongly questioned Foreign Minister Athit Urairat's decision to put Thailand on the side of the Kuwaiti government-in-exile and Saudi Arabia in their potentially catastrophic conflict with Iraq.

Sunthon criticized Athit for not having consulted the National Security Council (NSC) before undertaking the diplomatic initiative which also came under fire from opposition parties. He described Athit's move as "a unilateral decision."

"Imagine what could happen if our move goes wrong. Who would help us in that case? Is it wise for Thailand to jump between two fighting bulls?" Sunthon asked during an interview with reporters.

Sunthon said he had not been informed in advance of Athit's offer to dispatch a team of Royal Thai Air Force technicians to Saudi Arabia to help maintain the country's fleet of F-5E jet fighters.

"We have the ability to help (Saudi Arabia) but this is a matter which should have been first debated at the NSC and approved by Parliament," he said.

He said that as a small, developing country, Thailand is not in a position to make a strong commitment to side openly with one country or the other involved in a conflict.

"We are already supporting the UN resolutions condemning the Iraqi invasion and occupation of its neighbouring country but a strong commitment like this should have been subject to approval by Parliament," he said.

Defending his decision yesterday, the embattled Athit told THE NATION in an exclusive interview that his move was "well-calculated" and aimed at protecting Thailand's national interests.

He admitted that he had not informed Prime Minister Chatchai Chunhawan in advance over his offer of F-5 fighting technical help to Saudi Arabia.

But he said that he had discussed the principles of his diplomatic plan with the premier before embarking upon the mission.

"Can't a foreign minister exercise judgement on such details?" said Athit who was in Saudi Arabia Dec 29-Jan 1 to demonstrate Thailand's support for the desert kingdom and the Kuwaiti government-in-exile in their confrontation with Iraq.

Athit said there was not enough time for him to have detailed consultations with every party concerned because of the urgency of the situation.

He said with the Jan 15 deadline imposed by the UN for Iraq to pull its troops out of Kuwait nearing, Thailand cannot afford to sit on the fence, he said, adding that Saudi Arabia plans to seal its borders and ban flights into and out of the country beginning Jan 10.

The foreign minister, who repeatedly declared he was ready to take full responsibility for the consequence of his initiative, said he was prepared to resign if it went against national interest.

Foreign Ministry sources said Athit admitted at a meeting yesterday morning with directors general of the ministry that he had not consulted with the Royal Thai Air Force before making the offer of technical assistance to Saudi air force.

Athit said his declared support for Saudi Arabia in the face of war was necessary in order to improve the Thai-Saudi relations which were soured by the unresolved slayings of three Saudi Embassy officials in Bangkok last February.

Opposition leaders have also strongly criticized Athit for his diplomatic initiative, saying it could make Thailand a target of terrorism.

Air Force Commander-in-Chief ACM [Air Chief Marshal] Kaset Rotchananian said the offer had nothing to do with the air force.

It was the government's initiative which was apparently aimed at showing Thailand's friendship towards Saudi Arabia, he said.

He said that the move by Athit was probably a way to demonstrate Thailand's stand to side with those who were affected by the Iraqi invasion of Kuwait which resulted in a steep rise in oil prices on the world market.

"Thai Airways International, which I chair, is also suffering a monthly loss of about one billion baht as a result of a 100 percent hike in fuel costs compared to only a 7 percent increase in passenger fares. If the situation continues for four or five more months, the national flag carrier will not be able to survive," he said.

He said that the Royal Thai Air Force was ready to help evacuate Thai workers from the Middle East if it was instructed by the government to do so.

Kaset also said that Saudi Arabia intends to sell its fleet of F-5 jetfighters and Thailand is interested in buying them.

Four Medical Teams To Leave for Gulf

BK0401012591 Bangkok *THE NATION* in English
4 Jan 91 p A4

[Text] Four Thai medical teams will leave for Saudi Arabia on Saturday to help Thai workers who may have to be evacuated in the event of war. Public Health Minister Piyanat Watcharaphon said yesterday.

Piyanat said the teams will be stationed in cities of Riyadh and Jeddah and the islands of Al-Hufuf and Al-Kharq to which Thai workers will be evacuated in case a war breaks out. Each medical team comprises seven members, including doctors, nurses and public health officials, Piyanat said.

He said Suthat Wetchayo, chief medical officer attached to the Public Health Permanent Secretary's Office, will lead the teams and stay with the one to be stationed in Riyadh, which will also coordinate the operations of the other three.

Piyanat said the ministry had been allocated Bt [baht] 26.5 million from the Bt500 million earmarked by the government to evacuate Thai workers in Middle East countries.

The United Nations has sanctioned a US-led multinational forces to drive out Iraqi troops occupying Saudi Arabia's neighbour Kuwait, if they are not pulled out by Jan 15.

About 50,000 Thais are working in danger-prone areas, such as oil rigs and big industrialized cities and near the Saudi-Kuwaiti border. Labour Department Director General Prasong Burananan said on Wednesday.

He said another 40,000 Thais were working in areas considered to be safe if the expected war did not escalate.

The government planned to move southwards Thai workers who are near the Kuwaiti border to the two Saudi cities and two islands where the four medical teams will provide them with medical attention. If possible and if necessary, the workers would be flown home from there, a government source in the evacuating committee said over the weekend.

In the event of the war escalating, the workers there would be moved farther southwards to countries neighbouring Saudi Arabia to be flown home.

Piyanat said the medical teams will stay in the Middle East country until the last Thai worker leaves.

The minister said the teams would also advise the workers how to protect themselves from the effects of chemical weapons, if they are used in the expected war.

The labour director general also quoted the Thai labour representative in Riyadh, Wirawat Chirachit, as saying that Thai workers in Saudi Arabia are still in good spirits.

Wirawat was called to the Labour Department over the weekend to be briefed on the evacuation plan and ordered that food and water be prepared for the workers to be evacuated, Prasong said.

USSR Supports Thailand's Gulf Stance

*BK0401044791 Bangkok BANGKOK POST in English
4 Jan 91 p 3*

[Text] The Soviet Union has backed Thailand's position on the Gulf crisis, says Foreign Minister Athit Urairat.

The Foreign Minister said Soviet Ambassador Anatoly Valkov, who called on him at the ministry yesterday, had told him that Moscow agreed with the kingdom's contribution to the international effort to avert war in the Middle East.

The ambassador handed Dr Athit a statement by the Soviet Congress of Peoples' Deputies which expressed "serious anxiety over the dangerous developments... in the Persian Gulf area," and called for Iraq's withdrawal from Kuwait.

Dr Athit said he told the ambassador that Thailand supports the UN resolutions on the August 2 invasion of Kuwait because Iraq must be made to realise that a war would not be to its advantage.

Dr Athit visited Saudi Arabia over the New Year holiday and pledged Thailand's full support and cooperation to Saudi Arabia and Kuwait.

"What we have done is the result of thoughtful consideration. Unless we take a clear stand, nobody is going to count on us, and Thailand risks being ostracised in a region where enormous economic interests are at stake."

He would not explain his peace overtures to Iraq, he said, and Thailand does not deem Iraq an "enemy."

He asked his critics not to use this issue for personal or political gain because it is a "life and death" matter for Thailand.

Thailand's indecisiveness on the crisis would not serve the country's interests in the region, he said.

Since the Gulf crisis began, he said, Thailand had suffered considerable economic losses, and unless the kingdom takes sides, more losses can be expected once the crisis is settled one way or the other.

He said he had not offered more than what Thailand could give to Saudi Arabia.

The Foreign Minister had proposed sending Thai technicians and medical personnel to Saudi Arabia if needed.

The Philippines, a fellow ASEAN member country, had already sent a medical team there, he added.

At yesterday's meeting, the Soviet ambassador also proposed that Bangkok host a meeting of the warring Cambodian factions.

Dr Athit replied that Thailand would host such a meeting only after consulting its ASEAN allies and being assured that the factions are willing to agree.

He will visit Malaysia, Singapore, the Philippines and Brunei from Jan 13-15, he said, and is considering trips to Burma, Laos and Vietnam.

The Soviet ambassador also invited Prime Minister Chatchai Chunhawan to visit the Soviet Union for talks on economic cooperation.

Moscow Offers To Sell MiG-29 Fighters

*BK0401045191 Bangkok THE NATION in English
4 Jan 91 p A2*

[by Kulachada Chaiphiphat]

[Text] The Soviet Union yesterday offered to sell state-of-the-art MiG-29 jetfighters to Thailand as part of its efforts to boost trade between the two countries, Foreign Minister Athit Urairat said.

Athit said the offer was made through Soviet Ambassador to Thailand Anatoly Valkov, who paid a courtesy call on him at the Foreign Ministry yesterday.

The foreign minister said Valkov suggested that the Soviet Union sell Thailand the sophisticated jetfighter whose capability and technology are equal to that of US F-16 interceptors which are now in service in the Thai air force.

Athit described the offer as "preliminary" and said no details were discussed.

Thailand already possesses 18 F-16s and is in the process of obtaining another six. The US has been Thailand's traditional source of arms supplies but in recent years Thai armed forces turned to China which offered cheaper weaponry.

The Soviet Union had in the past offered to sell some of its weapon systems to Thailand, including tanks, but Thai military leaders have not given it serious thought.

Valkov conveyed the Soviet offer to sell the MiG-29 Fulcrum after Athit told him Thailand was prepared to help ease the current severe food shortage in the Soviet Union.

Speaking to reporters later, Athit said he told Valkov that Thailand could offer large amounts of rice and other foodstuffs to the Soviet Union—some as barter trade. The Soviet Union is experiencing acute food shortage in the current winter because of its bad distribution system and widespread hoarding.

On Cambodia, Valkov called on Thailand to organize another Cambodian peace talk in Bangkok to hasten the peace process.

"Only Thailand will be able to help realize peace in Cambodia," Athit quoted Valkov as telling him during the meeting.

Athit told the Soviet envoy that he had to consult ASEAN friends before deciding whether to host such a meeting. The foreign minister plans to visit ASEAN countries between Jan 13-16.

But Athit reaffirmed Thailand's stand that Bangkok would host another round of Cambodian peace talks only when there were prospects for success.

On the Gulf crisis, Valkov expressed Soviet's support for Thailand's stand calling for Iraq to withdraw its troops from Kuwait and appealing to all sides to use peaceful means to sort out the conflict.

The Soviet envoy yesterday also conveyed an invitation for Prime Minister Chatchai Chunhawan to visit the Soviet Union this year.

Interest Expressed in Purchasing Saudi Jets

*BK0401070391 Bangkok BANGKOK POST in English
4 Jan 91 p 3*

[Text] Thailand is interested in buying about 20 F5 jet fighters from Saudi Arabia, a military source said.

The source said since Saudi Arabia is planning to decommission over 100 of its F5 jets in the next two or three years, Thailand wants to take this opportunity to buy some of them for the Air Force.

Taking the opportunity of Foreign Minister Athit Urairat's visit to Saudi Arabia, the Air Force began its approach by asking Dr Athit to offer to send technicians to help maintain the jets during the crisis in the Persian Gulf.

The offer of technicians was not only a way of showing Thailand willingness to help Saudi Arabia while in need of friends but also an intention for the technicians, if sent there, to examine the conditions of the jets, the source said.

Thailand also hoped to regain good relations between the two countries, the source added.

"The offer of technicians could show Saudi Arabia that Thailand is a friend in need. Then a proposal to buy the jets could be made after the end of the Gulf crisis, which would be about the time for Saudi Arabia to decommission them," the source said.

The source said Thailand is interested to buy about twenty of the Saudi jets and Dr Athit was asked to help pave way for Thailand's approach.

Meanwhile, Air Force commander ACM [Air Chief Marshal] Kaset Rotchananin confirmed yesterday that Dr Athit was asked to raise the matter during his recent visit to the country.

"In fact, we asked the Foreign Minister to approach Saudi Arabia to show Thailand's interest in buying the jets," he said, adding Thailand already has three squadrons of F5s.

Meanwhile, Supreme Commander General Sunthon Khongsomphon, asked to comment on the same matter, said although Thailand has personnel able to help maintain the F5s it should stop short of doing so because it may be a big mistake.

National security is involved and the matter cannot be decided by any individual but the National Security Council and Parliament.

Gen Sunthon said Thailand should not do anything to get involved in the situation in the Middle East. It is useless to do so.

Chatchai 9 Jan Policy Statement Previewed

*BK0401022191 Bangkok THE NATION in English
4 Jan 91 p A12*

["Excerpted" from "final draft" of government policy statement obtained by THE NATION from "reliable source;" policy statement to be delivered by Premier Chatchai Chunhawan on 9 Jan]

[Text] First of all, let me emphasize that honesty toward people is the key to achieving the following policy objectives. This government administration will work toward promoting the national interest without being constrained by vested interests of any political party or group. It will take serious and drastic action to prevent and root out corruption with an acute awareness of its responsibility to the nation and the beloved people.

With genuine determination, I hereby pledge to fulfill my duties and responsibilities with utmost care and to the best of my ability.

The government will promote and develop the roles of political parties and parliamentary institutions in line with the rule of constitutional monarchy. It will help the people to acquire a better understanding of the political system and have faith in democracy. This will be done through the protection and expansion of civil rights and liberties. Political awareness and civic responsibility will also be instilled in people so that they will be able to participate more fully in politics at all levels.

Moreover, the government will implement new measures, including amending the Constitution, to make future elections cleaner and fairer.

The government will support the decentralization of administrative power, and will develop local administrative bodies, especially the Tambon Council. These local bodies will be empowered to make their own decisions regarding fiscal management, purchase of supplies and policy matters.

The government wants to change the traditional role of the bureaucracy, from one of implementator to that of supervisor. At the same time, it will solicit a greater input by the private sector in the administration of the government. The bureaucratic system will become more open to public opinion and suggestions. This, in effect, will transform the government approach, from governance to development administrations.

Within the bureaucracy itself, working conditions, salaries, and welfare benefits will be adjusted and improved in order to stop the brain drain. The merit system will be the main criterion when considering civil servants for promotions.

The government's goal is to maintain the high rate of economic growth by expanding both the production base and overseas markets for Thai exports. Thailand can and will become the economic centre of the "new frontier" in this region. It will also strive to become the centre of finance business as well as the communications/transportation hub of the region.

In order to achieve these goals, new flexibilities must be created in the Thai economy. The government will therefore reduce or end monopolies and will increase the role of the private sector in investing in infrastructure development—public services, telecommunications, transportation, energy, and human resources.

At the same time the government will be extremely careful in maintaining economic stability by curbing inflation and reducing the trade deficit so that neither the national fiscal standing nor the cost of living will be adversely affected, and investors' confidence in Thailand will remain firm.

The government will emphasize the importance of equitable income distribution and the promotion of economic activities in the provinces to increase the income of rural citizens. The private sector will be encouraged to play a larger role in resolving local economic problems.

Small private businesses in urban areas, and workers, especially those earning the minimum wage, are target groups of the government policy regarding income distribution. They will be assisted through the following policies:

The tax system will be improved to minimize duplications and to promote investment and business. Fiscal measures will be taken to help the weaker economic sectors, particularly agriculture.

All state enterprises will have to reduce their dependence on government subsidies, and will be encouraged to raise capital in cooperation with the private sector.

On the monetary side, the government will strengthen the financial system, financial institutions and the stock exchange. Government control over financial institutions will be relaxed to respond to the need of growing domestic investment and to transform Thailand into a regional financial centre.

The government affirms its determination to assist all farmers and planters, especially the poorer ones. This is a policy of utmost importance. Agricultural productivity must be increased and income security of small farmers and planters secured.

The government will speed up land reform programmes to parcel out degraded national forests to landless people for farming. Credits to the poor farmers and planters will be increased with more favourable repayment terms. They will be encouraged to diversify by growing new cash crops. The fertilizer trade will be liberalized, domestic fertilizer production will be promoted to reduce imports and to end trading monopolies.

The government will promote the development of water resources to enable more farming during the dry season. The natural resource protection area will be increased by 25 percent. The private sector and agricultural groups will be encouraged to plant economic and community forests.

Import tax on machinery, parts and raw material will be reduced. Industries will be encouraged to locate themselves in "new economic zones" on the eastern and southern seaboard.

The government gives utmost importance to environmental protection and industrial pollution control. The private sector will be encouraged to invest in waste disposal.

The government will continue to liberalize trade and services in order to establish Thailand as the business centre of the region. Emphasis will be given to increasing Thai exports to Indochina and the rest of Asia-Pacific.

Future markets of farm produce and other commodities will be set up to help producers sell at better prices.

The government will develop Thailand's capabilities to become the centre for maintenance and repair of all means of transportation.

The government will support private investment in communications and transportation, including the construction of new airports.

The government will tackle the traffic problem in Bangkok and surrounding areas with construction of the remaining sections of the ring road. Cross-river tunnels underneath the Chao Phraya may also be built.

The government will increase the production and training of technicians and scientists to satisfy the growing needs in all sectors. Modern information systems will be introduced and adapted to enable the private sector to link up with foreign information sources and import information technologies at appropriate cost.

The government will continue to work toward making Thailand self-sufficient in energy.

Toxic ingredients in petroleum fuel and air pollution from all types of vehicles will be reduced.

To improve the management of the environment, a tripartite body—comprising representatives of the government, the private sector and the community—will be set up to serve as a watch dog body guarding against abuses and violations of anti-pollution laws.

More public parks will be opened in Bangkok and other urban areas.

The government will develop the military's capabilities and keep the size of the armed forces at their appropriate level. Self-reliance in national defence will be emphasized. Arms production will be promoted with cooperation from the private sector and friendly countries.

The military will be encouraged to take part in national development.

The government's foreign policy will, apart from achieving its traditional objectives, promote national economic prosperity. Coordination among all relevant government agencies, and between the government and the private sector, will be increased for more unity and effective implementation of the foreign policy.

The government will further strengthen Thailand's friendship and unity with fellow Asean members, relations with major powers and trading partners will be developed.

The government will maintain law and order, develop the quality of life and preserve Thai identity with the following policies:

The government will crack down on all criminals as well as influential outlaws, and suppress the illegal use of war weapons.

It will cooperate with all neighbours in destroying narcotic production sources and seek cooperation from countries with serious drug abuse problems to tackle their own end of the narcotic problem.

The opportunity for higher education will be created in the provinces. Science and technology will be stressed in education.

The private sector will be encouraged to take part in promoting and providing higher education.

The government considers the control and prevention of Aids as an urgent national policy with high priority. All concerned government agencies and the private sector will cooperate in preventive action to stop and control the disease on a serious and sustained basis.

Public health services will be made available to all at minimal cost in most cases.

Promotion of medicines and foods for export will be promoted.

The government will speed up the implementation of the social security programme to cover health insurance.

Apart from the social security legislation, the government will revise the law relating to child abuse and prostitution to increase penalties for all perpetrators of these crimes.

The government determines to tackle chronic poverty and narrow the income gap between the rich and the poor.

The government will boost the prices of paddy and other cash crops through market intervention. It will also introduce on a trial basis the crop and livestock insurances to reduce the risk to farmers.

The government also has a policy to set up a special fund to aid poor farmers and look after the welfare and upgrade the skill of agricultural labour.

Underprivileged groups in poor areas, including those with physical handicaps will be given extra educational opportunities.

Occupational training and other assistance will be given to owners of small businesses, workers and employees in urban areas. Hawkers will be provided with designated stalls.

The government will see to it that all employers abide by the minimum wage regulation and provide safe and good working conditions. It will also improve the quality of life in slums and provide low-cost housing to the needy.

Burmese Envoy Cites Embassy Security Risk

*BK0401063791 Bangkok THE NATION in English
4 Jan 91 p A2*

[By Yindi Loetcharoenchok and Kunlachada Chaiphiraphat]

[Text] The Burmese Ambassador to Thailand U Nyunt Swe said yesterday he will raise the question of security for his embassy with Thai authorities following the reported political movements in Bangkok of "some (Burmese) insurgents".

The envoy was referring to the secret meetings held last week in Bangkok between Dr Sein Win, who is the premier of the newly formed nine-member national Coalition Government of the Union of Burma, and Bangkok-based diplomats of some western nations in an attempt to seek recognition for his rival government.

"If the news is confirmed about some insurgents moving in Bangkok, then I will have to approach the Thai authorities and raise the issue because we are especially concerned about the security of our embassy and its staff including myself," said Nyunt Swe.

Meanwhile, newly appointed Foreign Minister Athit Urairatt told THE NATION yesterday that Sein Win had

sent a letter to him thanking him for his initiative in resolving the problems of Burmese students stranded in Thailand.

Nyunt, however, did not specify the exact time and the government agencies with whom he will raise the matter but stressed that he believed that the visit here of Sein Win and some of his government members was done "without the knowledge of Thai authorities."

Sein Win, a cousin of Aung San Suu Kyi who is the daughter of independence hero Aung San, was reported to have met some diplomats in Bangkok to seek their support for the government he set up last month along with eight other elected Burmese representatives at the armed ethnic Karen headquarters of Manerplaw on the Burmese border with Thailand.

He and his foreign minister Peter Lin Pin were said to have approached the United States and other European countries. Some western diplomats here have accepted as accurate the reports of their contacts, but added that there was no chance of Sein Win's authority being formally recognized by any major country.

The Burmese envoy said he believed that no country would recognize the rival government and that Sein Win and other members in his government were just a "group of insurgents" and would face legal actions for their move.

The Burmese junta or the State Law and Order Restoration Council had declared all the members in the rival government as being "abscondee" prior their departure to the Thai-Burmese border. The cabinet ministers, most of them from the poll-winning party of National League for Democracy, were later expelled from the political parties they stood for in the general elections last May while Sein Win's Party for National Democracy was dissolved.

Nyunt Swe said the nine members were no longer legal in terms of political status as they were now nullified by the Burmese election commission, but he could not respond if there would be by-elections to replace them.

Asked about his recent meeting with Foreign Minister Athit, the Burmese ambassador said he informed Athit of his readiness to "explain the true political situation inside the country" to dissident Burmese students, thousands of whom have been taking political refuge in Thailand since the coup d'etat in September 1988. He, however, stressed that "it is not talks with the students but just explaining (the situation in Burma) to them".

He said the foreign minister did not initiate a meeting between both sides but expressed his concern over the stay here of the students, considering it as a loss of Burma's intellectuals and human resources.

Rangoon "still welcomes the students back home and the 27 (Burmese) border reception centres are still open" to receive those who want to return to Burma, according to the envoy. He added about 37 students have been

repatriated to Burma since Thailand ceased the repatriation programme for Burmese students in early 1989.

Athit said he told the Burmese envoy during his courtesy call that he disagreed with the Thai plan to confine the exiled Burmese students in a "refugee camp." Instead they should be treated as "our own daughters and sons" and be talked with in order to resolve the ongoing differences and conflicts.

Athit said during the talks he urged Rangoon to learn from the Thai experience gained when dealing with Thai students who had taken up armed struggle against the government after the 1973 student uprising and 1976 student movements.

"The Burmese Government should talk to them (the students), welcome them back home, give them the assurance of safety and a decent education as they are national human resources. Thailand at the same time can off-load this burden of sheltering them," said Athit, adding that he believed that "both the students and Rangoon do not want to see more fighting and have the true intention of reaching an understanding among them."

Thailand announced an amnesty for the dissident students in 1978 and implemented the decree 66/2523 as a general amnesty to Thai communists who wanted to return to society.

Burmese 'Pirates' Force Thai Boats To Pay Tax

*BK0301160491 Bangkok Voice of Free Asia
in English 1500 GMT 2 Feb 91*

[Text] Owners of most Thai fishing vessels receiving concessions to ply Burmese waters have to pay a 25 percent tax to Burmese pirates. The pirates, believed to be armed ethnic Karen, have their own high-speed boats with heavy machine guns. Owners of vessels which do not pay the pirates 25 percent of what they pay the Burmese Government have their vessels confiscated.

The Karen pirates declared that Burmese territorial waters in the Andaman Sea belong to them, so foreign operators must pay them the tax.

About eight fishing companies operate from Ranong, with more than 1,000 boats approved by the Burmese Government. They are allowed to fish mainly off Ye and Mergui Districts. These operators have to pay the Karen an estimated 30 million baht a month, with the pirates' demands stepped up in the last two months.

Shipowners avoid reporting the extortion to authorities for fear of reprisals against themselves or their boats, which each cost millions of baht.

This was confirmed by Ranong Provincial Governor Sub-Lieutenant Somphon Kunlawanit, who said boat owners should still report the matter to the authorities.

Top Military Officers Greet Former Premier Prem

BK0301041591 Bangkok *THE NATION* in English
3 Jan 90 p A3

[By Phongsak Sisot]

[Text] About 100 top-ranking military and police officers yesterday morning showed up at former premier Gen Prem Tinsulanon's Sisao residence to offer him new year greetings.

All the top brass were present at the massive show of respect for the privy councillor who ruled the country for about a decade except for Supreme Commander Gen Sunthon Khongsomphong, who is on a visit to Spain. Led by Deputy Supreme Commander ACM [Air Chief Marshall] Woranat Aphichari, who was air force commander-in-chief under Prem, the top-ranking officers included the commanders-in-chief of the three armed forces: Gen Suchinda Khraprayun of the army, ACM Kaset Rotchananin of the air force and Adm Praphat Kritsanachan of the navy.

In sharp contrast, unlike the previous year, the top brass did not call on Prime Minister Chatchai Chunhawan to wish him a happy new year.

Prem, also appointed senior statesman by the Chatchai Cabinet following his graceful exit from politics in 1988, told the officers to remember their two priorities in defending the country from outside aggression and guarding the monarchy from any destabilizing event or force.

The visit by the top-ranking officers showed their unity and they had assured him that they would be able to carry out their responsibilities, Prem said.

"Let me emphasize again that everybody must do his best to defend the country. As for the duty to safeguard the monarchy, all of us have demonstrated with deeds that we are ready to sacrifice anything to uphold the sacred institute," he added.

He said he expected the public to take pride in the unity of the armed forces.

Prem was responding to a short new year blessing offered by ACM Woranat on behalf of all his comrades-in-arms.

"All of us would like to offer you the best wishes and wish you to be as fresh as the flowers we present you," Woranat said.

After the ceremony, the top ranking military officers exchanged pleasantries in an informal atmosphere. The focus of attention was army chief Gen Suchinda Khraprayun, whose frank interview on the military stand to protect democracy was just published.

Suchinda told his colleagues that military officers should take heed of a teaching by Phra Panya Nanthaphikkhu, who is a revered monk, that Cabinet members should speak less and do more.

"As permanent officials we will have to speak even less than Cabinet members," Suchinda told other officers.

The army chief cited Phra Panya Nanthaphikkhu's teaching when asked to comment on Social Action leader Khukrit Pramot's comment that the military may stage a coup this year.

"Phra Panya instructed that we should speak less in public. From now on, we will speak little but when we punch, we'll do it hard," he said, tongue-in-cheek.

Military Movement, Next Prime Minister Viewed

BK0301154791 Bangkok *THAI RAT* in Thai
3 Jan 91 p 3

[Article by THAI RAT political news staff: "Adjusting Strategy; Attacking Old Target"]

[Excerpts] No matter how many hundreds of years have passed, the military institution, the strongest organization in Thai society, has always played a decisive role in the country's politics and administration. [passage omitted]

We, the THAI RAT political news staff, dare say that a rift that can never be mended has occurred between government and military leaders.

The public's distrust of "integrity" and fear of "dictatorship" is like glass once it is broken.

The act of not maintaining integrity for fear of being accused of bowing to military pressure will not regain public confidence. At the same time, the people's fear of dictatorship will not fade out either.

Although the people have doubt in both sides, we believe that the military institution is in a slightly better position regarding public confidence. [passage omitted]

After Supreme Commander General Sunthon Khongsomphong retires this year, full power will then fall into the hands of a group of CRMA [Chunlachomklao Royal Military Academy] Class 5 members, including Army Commander General Suchinda. We believe that the Army will gain even more power and solidarity.

Although the military has announced its stand, which has not changed for quite some time, that the military will not interfere in politics but will watch from a distance, it should be noted that Gen. Suchinda has also remarked: "It all depends on the situation."

This means the military is ready to intervene in politics to solve the country's problems if it sees that an undesirable situation has cropped up.

We firmly believe that the military under the leadership of Gen. Suchinda, with full power in his hands, will not stay completely away from the political scene but will adjust its strategy to launch an attack on the old target, and that is to beat the power of the politicians.

In 1991, the military will take every political step much more carefully than before and will deal with the public actively. Political movements by workers and students are expected to revive. It can be seen that the people's problems are growing more and more serious every day.

If there happens to be general elections in the middle of this year, the military will find it a good opportunity to use its ability to "eradicate" the politicians it does not want, under the principle of conserving democracy.

Then, there would be a question: "Which way will the military take to rise to political power?"

We would then like to point out the New Aspiration Party.

When former Army Commander Gen. Chawalit Yongchaiyut resigned from the top post of the Army to join the government under the leadership of Gen. Chatchai Chunhawan, Chawalit announced that he did it to keep his commitment with his juniors in the Army. Later on he was literally ousted from the government and changed his status to a civilian as leader of a political party.

However, we see that that particular party is eclipsed by the shadow of the Army.

Should there be a general election in the middle of 1991 or in late 1992, take all the leaders of the present political parties and put them in a lineup and ask who the military would choose as prime minister.

Certainly, Gen. Chawalit Yongchaiyut.

Whatever, due to a close relationship between the former and present Army chiefs, as long as Gen. Suchinda is still Army commander, the prospect of Gen. Chawalit becoming the 18th prime minister of Thailand is bright. [passage omitted]

Banks, Finance Companies To Offer Services

BK0301042391 Bangkok *THE NATION* in English
3 Jan 91 p B1

[By Watchara Charunsanthikun, Charuwan Loetwinyu]

[Text] Commercial banks and finance companies will soon be allowed to engage in overlapping financial services as a first step towards implementing the universal banking concept, if the package of proposals is approved by Finance Minister Banhan Sinlapa-acha.

The package was submitted by the Bank of Thailand to Banhan last month and is primarily aimed at strengthening local financial institutions amidst a further financial liberalization policy and greater competition from foreign institutions.

The measures are also aimed at making Thailand the regional financial hub in the next three to five years and in line with the commitment made to the International Monetary Fund.

Wichit Suphinit, central bank governor, said the reform measures for the banks, finance and securities companies will permit banks to expand their scope of services. The recommendations include:

- Allowing banks to underwrite common shares of the companies they are associated with or have shares in.
- Banks can underwrite government and state enterprise bonds as well as act as selling agents.
- Allowing banks to invest more than 10 percent in the shares of a company.
- Banks can take 100 percent equity in finance and securities companies, but all financial information must be made available separately from the parent banks.
- Banks can freely trade in commercial papers with a maturity of less than 270 days. The central bank will come up with mechanisms to allow interest rates to adjust with flexibility.
- Dismantling obstacles involved in the transfer of commercial papers such as negotiable certificates of deposits.
- Setting up new regulations on reserve requirements under the guidelines adopted by the Bank for International Settlements. The regulations will affect each bank's risk-asset ratio by giving banks more flexibility.
- Finance and securities companies, in turn, will be permitted to engage in foreign exchange trading for corporate clients.
- They will also be allowed to act as trustees for durable assets such as cars and permanent assets such as land.
- Securities companies will be permitted to act as mutual fund managers for both local and foreign funds for investment in Thai equities in the form of closed-end funds.
- They can also act as custodians for share certificates which they have been involved in underwriting.

The central bank has also reaffirmed its support for Krung Thai Bank to remain as the only state bank which will be developed into a lead bank and direct the official signal for the movement of interest rates.

The Bank of Thailand will also use its line of credit to support the productive economic sector. The Industrial Finance Corp of Thailand will be geared into a long-term credit bank, while the Bank for Agriculture and Agricultural Cooperatives will have its capability increased in lending to the farm and livestock sectors in the provinces.

In the pipeline is a plan to set up an export credit guarantee institution.

Wichit added yesterday that a working group has been formed and will be headed by Deputy Governor

Ekkamon Khiriwat to examine changes in the laws and taxes affecting the development of new commercial papers. The first meeting is scheduled for next week.

He said Banhan has instructed the central bank to complete the task by April after which it would be introduced under a royal decree. Wichit said the conclusion could be decided by the end of this month.

Informed sources said senior Finance Ministry officials have agreed in principle at informal discussions to have deputy director generals of the Revenue and Fiscal Policy Departments look into changes in the necessary tax regulations which act as obstacles to the development of the new debt instruments.

Wichit added that a meeting has been called with top executives of finance and securities companies next week to discuss the credit extension situation. The meeting follows a similar meeting held with top bankers before the New Year.

Wichit said the package presented to Banhan to allow banks to conduct more businesses could be forwarded to Parliament for approval in April.

It is expected that only seven to eight banks would be able to cope with the reform and the rest could have to merge into larger institutions. Major finance companies with assets of more Bt [baht] 10 billion each would have the opportunity to become banks.

These would include Thai Investment and Securities Co, Phatthara Thanakit Co, Asia Credit, National finance and Securities Co, Thana Siam Finance and Securities Co, GF Finance and Securities Co and Finance One Ltd.

Vietnam

9,000 Leave Iraq; 5,000 More Before 15 Jan

BK0401151291 Hanoi Domestic Service in Vietnamese
1430 GMT 4 Jan 91

[Text] With effective assistance provided by the Organization for International Migration [OIM], Iraq, and other countries and international organizations, almost 9,000 Vietnamese workers have left Iraq and arrived in Vietnam safely.

During the first two weeks of January 1991, about 5,000 more Vietnamese workers will be sent home.

On 3 January, two Jordanian Airlines aircraft chartered by OIM, carrying 505 Vietnamese workers from the Jordanian capital of Amman, landed at Noi Bai Airport in Hanoi. The Vietnamese workers were warmly welcomed home by officials of the agencies concerned.

National Assembly Announces Newly Adopted Laws

BK0301132591 Hanoi Domestic Service in Vietnamese
1100 GMT 2 Jan 91

[Text] This afternoon on 2 January, the Office of the National Assembly and of the Council of State held a news conference to announce the law on private business transactions and the law on business companies, the law on amendments and supplements to a number of articles of the law on military service, and the law on amendments and supplements to a number of articles of the law on Vietnamese people's officers, the National Assembly's decisions on the implementations of those laws, and regulations on standards of measurement. Those laws have been passed by the eighth National Assembly session. Several national correspondents attended the conference.

Under the authority of the National Assembly, the Council of State, and the Council of Ministers, Comrade Nguyen Dinh Loc, deputy director of the Office of the National Assembly and of the Council of State; Brigadier General Dang Vu Hiep, deputy director of the Political General Department of the Ministry of National Defense; Comrade Doan Do, acting director of the Central Economic Management Institute; and Comrade Doan Phuong, commissioner of the General Standard Quality Measurement Commission, presented the above-mentioned laws and answered questions from the reporters.

The law on private business transactions consists of five chapters and 28 articles. It becomes effective on 15 April 1991.

The law on business companies consists of six chapters and 45 articles. It becomes effective on 15 April 1991.

Various Organizations Comment on Party Documents

BK0401082091

[Editorial Report] Hanoi Domestic Service in Vietnamese at 1000 GMT on 3 January carries in the first item of its press review a two-minute report saying that NHAN DAN on the same day continues to publish all strata of the people's views on the draft documents of the seventh party congress. It says that at a recent seminar held by the Hanoi Union of Science and Technology, "nearly all the participants asserted that the quality of draft documents put out for public comments is definitely much better this time than previously. But the two documents are still long, cover many issues, and have not reflected the characteristics of the platform or strategy. Many views suggested that the role and impetus of science and technology in the general lines should be clearly pointed out. Among a host of measures, precedence should be determined for some. Investment in human beings must be considered the most effective and be given priority one." As for economic structure, some proposed to primarily develop those sectors with much

labor, including intellectual labor, and those sectors that do not require much capital yet can bring about quick results.

The same cast reports in a one-minute item that today's QUAN DOI NHAN DAN publishes Le Hong Khue's view saying that "in order to build a strong and prosperous country, the national defense task must be emphasized." The article proposes to intensify the education of cadres, party members and people of all strata, first of all youth, on national defense.

In an under-a-minute item, the same cast quotes TIEN PHONG weekly as reporting that "members of many party chapters in the party committee of the Ho Chi Minh Communist Youth Union have contributed their views to the draft documents of the seventh party congress. Many of them focused on pointing out the necessity of asserting the socialist line chosen by our party and Uncle Ho. This orientation is important to youth, especially in the present stage." The article says that the platform and economic strategy have not fully manifested the role and position of youths and that "the strategy of human beings should be stressed through major policies so as to stir up the great potentials among youths who are the future masters of the country."

The same cast carries in an under-1-minute-item a NHAN DAN report on a conference of the organization commission heads of provinces from Thua Thien-Hue to Minh Hai which was held in late December in Ho Chi Minh City to discuss measures to help party committee echelons guide all party organizations in giving their views on the seventh party congress' draft documents. It says that "the conferees unanimously agreed on the need to immediately consolidate the party in order to satisfactorily prepare for the party organization congress at all levels and to continually consolidate the organization of the party in connection with the anti-corruption drive."

On the same day, Hanoi Domestic Service in Vietnamese at 1400 GMT carries a 1.5-minute report saying that a broad political drive was conducted in the 4th military region to solicit the opinions of cadres and party members on the seventh party congress' draft documents. It specifies that "the drive was aimed at enabling party members and the masses to raise their knowledge a step higher and better understand the viewpoints and lines of the party." The report goes on to say that the political drive has created an atmosphere of openness and high sense of responsibility among cadres, party members, people and troops in the 4th military region in contributing their views to the party's documents.

Vo Chi Cong Greet Aquatic Products Conference

BK0301122591 Hanoi Domestic Service in Vietnamese
1430 GMT 31 Dec 90

[Letter from Vo Chi Cong, Council of State chairman, to a conference held by the aquatic products sector to review its 1990 activities; date of letter not given—read by announcer]

[Text] Dear Comrades: On behalf of the party and the state, I would like to warmly congratulate the aquatic product sector on its 30th anniversary, and highly commend fishermen nationwide and the aquatic product sector as a whole for their achievements.

Over the past 30 years, the aquatic product sector has made numerous achievements. Since 1981, the aquatic product sector has constantly fulfilled its annual plan and has markedly surpassed the peak of its previous period of development in terms of both efficiency and productivity, as well as in both catching fish and developing aquatic products.

The aquatic product sector's prominent achievements consist of successfully nurturing the development of aquatic products in an area covering nearly half a million hectares—a two-fold increase over that of 1981—with an output of 310,000 [as heard] metric tons, up by 70 percent over 1981; raising shrimp in 220,000 hectares with the use of new techniques which produced 37,000 metric tons of shrimp [per year] with 31,000 metric tons reserved for export; meeting many of its own demands in production and in the construction of material-technical bases; and initially achieving some budgetary accumulations.

With its present annual output of more than 1 million metric tons of products and its annual export value of more than U.S.\$200 million, the sector has created employment for nearly 1 million workers who are engaging in catching, developing, and processing aquatic products and in other support services. With these achievements, the aquatic product sector has become an important sector of the national economy.

By the way, I feel it necessary to urge you, compatriots and comrades, to pay attention to overcoming your weaknesses if you are to continually move the aquatic product sector forward. These weaknesses are: You have only been able to exploit half of the source of aquatic products and to develop aquatic products on one-third of the area where conditions permit. One-third of fishery manpower has still been left unused. Sea fishing is still being conducted not far off the coast and the output is poor. Exploitation is not accompanied by efforts to protect the resources. The developing of aquatic products is still heavily characterized by its extensive cultivation. The processing of products continues to be at a low level. The selling price for exports is only about half of that set by foreign countries, thus resulting in heavy revenue shortfalls. Logistic and production support services are not uniform and obsolete. The rate of its contributions to the state, including contributions to the budget and foreign reserves, is still poor. The material, cultural, and spiritual life of a majority of fishermen is low.

As you, comrades, know, the party Central Committee has drafted a strategy for socioeconomic stabilization and development up to the year 2000. Under the strategy for general socioeconomic development for the period 1991-2000, various science sectors—namely natural science, technical science, and social science—should be

mobilized and closely cooperate in studying and preparing a strategy for overall coastal socioeconomic development with the aquatic product sector being one of the important sectors of national economy.

As an immediate task, the aquatic product sector should concentrate on satisfactorily preparing and implementing its plan and tasks for 1991 and its five-year 1991-95 plan. It should satisfactorily achieve all those criteria and objectives already set. It should choose a key course of action, select priority orders, unfailingly ascertain appropriate steps, adopt a satisfactory investment policy for each period of time, coordinate efforts to uniformly develop various small, medium, and large production projects, trying to proceed from rudimentary and manual production to semi-modernized and modernized production.

We should unfailingly choose appropriate technologies and industrial programs, organize cooperation between various sectors at the central and local levels in line with the strategy, maintain our sovereignty over natural resources in our country's exclusive economic waters, and proceed toward joining with other countries in exploiting the ocean according to the law and in line with international practices.

In the process of directing work implementation in accordance with the above guidelines, the aquatic product sector should concentrate efforts on the following main tasks:

- Its exploitation activities should be accompanied by efforts to protect and regenerate the aquatic product resource, enabling it to continue to exist eternally.
- Efforts should be made to accelerate the development of aquatic products in all water bodies where conditions permit.
- Production should be linked with the demands of the domestic market and of exports.
- At present and in the long run, stepping up the export of aquatic products is very important, not only for meeting the needs of foreign currencies for the sector itself, but also for contributing to the country's international balance of payments. Therefore, we should be extremely dynamic, trying to promptly monitor the demands of domestic and foreign markets to create new, high-value products more suited to consumer tastes and capable of meeting the buying power, both at home and abroad.

It is necessary step up the scientific and technological revolution within the aquatic product sector, trying to promptly introduce scientific-technical findings in servicing production and business, and in processing aquatic products. Attention should be paid to acquiring appropriate amounts of technology and investment in improving the use of raw materials for making high-quality products and to constantly improving the economic results.

We should satisfactorily resolve the relations between various economic components, between the central and

local levels, and between management according to sector and management according to territorial organization and should create a favorable environment for family, individual, and private economic components to develop in accordance with various policies of the state. At the same time, we should pay attention to consolidating and building collectively- and state-run economic sectors so they can achieve rapid growth, and should create conditions for the state-run sector to maintain its leading role and to satisfactorily provide support service for the fishery sector.

As a policy, the Council of Ministers has worked out many new stipulations aimed at promoting the development of the economy in general and of the aquatic product sector in particular. You, comrades, should study and apply these stipulations and while in practice, promptly ask for supplements and amendments to these stipulations or for the promulgation of new policies aimed at creating favorable conditions for production and business transactions and regenerating the potential of the sector.

On the basis of developing production, the aquatic product sector is dutybound to attentively care for and improve the material, spiritual, and cultural life of fishermen, especially those compatriots living in the coastal areas.

Dear comrades: Entering 1991, the general economic situation in our country is beset with countless difficulties. The aquatic product sector also faces the same situation. But with its achievements and experiences over the past 10 years, especially with its successful building and effective application of the new mechanism, it can be said that the aquatic product sector is now in a position more favorable than other sectors.

I am convinced that under the party leadership and the state management, by continuing to develop what it has achieved, further upholding its spirit of self reliance, increasing its cooperation with other sectors in the country, and unceasingly broadening its international relations, the aquatic product sector will be fully able to overcome all difficulties in outstandingly fulfilling all its orientations and objectives set for the year 1991, as well as for the 1991-2000 period.

Finally, on the occasion of the new year, on behalf of the party Central Committee, I wish you, those compatriots and comrades who are engaging in fishery, good health, progress, and greater achievements than those scored in 1990.

Nguyen Van Linh Sends Letter to Cement Factory

*BK2112100090 Hanoi Domestic Service in Vietnamese
1000 GMT 20 Dec 90*

[From the press review]

[Text] The front page of today's newspapers carried the text of Comrade General Secretary Nguyen Van Linh's

letter of commendation to cadres, staff, and workers of the Binh Son cement plant for overfulfilling the 1990 production plan.

Relations With USSR After Cold War Viewed

*BK0201040991 Bangkok THE NATION in English
2 Jan 91 p A6*

[Article by Kawi Chongkitthawon entitled: "New Realism in Soviet-VN Ties"]

[Text] From now on the Soviet Union has to be very business-like with its main Asian ally, Vietnam. Moscow is currently working on its new economic assistance programmes for the year 1991 that will include drastic changes.

Soviet diplomats based here are extremely sparing with their words about the amount of assistance and the likely outcome of this new economic relations.

They said economic realities in both countries have made the old pattern of bilateral economic ties obsolete. Both countries realized that with their economies still lagging behind, they need to restructure and seek new mechanisms for their economic cooperation with the hope of catching up with the world and eventually become equal partners.

Rashit Kamidulin, the Soviet ambassador to Vietnam, said it is time for his country and Vietnam to move to economic and trade cooperation that will be based on international standards. Beginning this month, all commercial transactions between the two will be done in convertible currencies and at the world market prices. Vietnam used to enjoy huge amounts of Soviet aid and preferential trade treatment because it was in Soviet geopolitical interest to help Vietnam and keep it a key Soviet ally in Southeast Asia.

Soviet statistics indicated that the future of Soviet-Vietnamese economic ties would enter into a period of uncertainty due to Vietnam's huge debt and trade deficit with the Soviet Union.

From 1955 to 1989, the Soviet Union provided a total of 14 billion rubles to Vietnam, according to Soviet statistics. Kamidulin revealed recently that his country provided economic aid of 8.7 million rubles (or nearly US\$14 billion according to the official exchange rate) during the 1986-90 period. The five-year plan, which ended last week, would be the last massive Soviet aid package to Vietnam.

In the past, Soviet long-term economic assistance was aimed mostly at improving Vietnam's energy resources, especially petroleum exploration and exploitation and development of power generation. In exchange for this aid, Vietnam sent farm produce and agricultural commodities such as rubber, rice and coffee, to the Soviet Union.

But the perestroika policy in the Soviet Union since 1986 has gradually transformed the Soviet-Vietnamese ties, which used to be dominated by ideological and political considerations, to a more commercial-oriented relationship. Pressed by its domestic economic hardship, the Soviet Union can no longer afford to provide huge aid to its allies overseas. Assistance is now being given under stringent regulations.

The Soviet assistance to Vietnam is no exception. The Soviet ambassador said that from now on economic assistance to Vietnam will be negotiated on a yearly basis. The two countries have yet to sign a protocol on the 1991 economic agreement, which has been delayed for a few weeks now. The Soviet Union signed the protocols for economic cooperation with Laos and Cambodia in early December with some minor changes from their previous agreements.

In the case of Vietnam, the Soviet trade and economic aid must be approved by the Supreme Soviet, which still has not yet settled the 1991 budget. Soviet diplomats expressed the hope that the protocol would be signed this month.

The Soviet Union began to aid Vietnam as early as 1955 when it supported North Vietnam's effort to fight the French colonialists. Later on, North Vietnam received massive Soviet arms and military aid to liberate the South during the Vietnam War. Substantial Soviet economic aid was also given after the Vietnamese reunification in 1975.

When the two countries prepare for their future economic relations, they have to bear in mind the lessons of the past and the Soviet expectations to receive debt repayment in the future.

Of the 14 billion rubles assistance to Vietnam, only 9 billion rubles were utilized and the remaining 5 billion rubles failed to be injected into the Vietnamese economy, according to Soviet statistics. Currently, Vietnam owes 7.5 billion rubles to the Soviet Union payable in the next five years. If all goes well, the Soviet Union expects Vietnam to be able to pay back at least 6.2 billion rubles in the next five years.

According to a Soviet estimate, Vietnam has the potential to earn as much as US\$2.4 billion from exports in the next five years, which still falls short of total debt payment to the Soviet Union.

Added to the debt problem is Vietnam's huge trade deficit. Last year, Vietnamese exports comprised only 2 percent of Soviet foreign trade. But the Soviet Union was the leading trading partner of Vietnam, with Soviet exports making up to 57 percent of all Vietnam's imports.

During the [first] nine months of 1990, Vietnam exported US\$900 million worth of goods to Western countries, compared to US\$700 million to the Soviet Union and other socialist countries.

In 1988, Vietnam imported 1,465 million rubles of goods from the Soviet Union, up from 1,450 million rubles in 1987, while Vietnamese exports to the Soviet Union in 1988 reached 385 million rubles, up from 320 million rubles in 1987.

Andrei Levin, minister councillor of the Soviet Embassy in Hanoi, said the ratio of trade between the Soviet Union and Vietnam has improved. In 1986, it was about 4 to 1 in favour of the Soviet Union. In 1990 the ratio improved to about 2 to 1.

He expressed the hope that soon the ratio would be one to one. Such trade parity is essential if both countries want equal relations, Levin said.

Although Vietnam's trade position has improved, its trade deficit with the Soviet Union remained enormous. Soviet officials believe that Vietnam could do more to reduce the trade deficit by increasing its exports to the Soviet Union. But this may not be what Vietnam wants. Vietnam is trading more with non-socialist countries to earn hard currencies.

Against this backdrop, Soviet diplomats see the future Soviet-Vietnam trade relations facing at least two difficulties. Firstly, in order to narrow the trade deficit, it is crucial to reduce Soviet exports to Vietnam. But to do so could hamper and worsen economic development in Vietnam. Vietnam relies almost entirely on Soviet oil, fertilizer, machineries and industrial spare parts. Secondly, Vietnam cannot export more to the Soviet Union if it doesn't improve the quality of its products and expand its market in the Soviet Union.

The Soviet diplomats said efforts should be focused on improving the quality of Vietnamese exports. They said the 1991 protocol of Soviet assistance to Vietnam would comprise specialized programmes to boost the productivity of Vietnam. However, analysts here expressed doubt whether it would work. Vietnam may still turn to trade with other more lucrative markets.

In 1990 Vietnam exported about 1.5 million tonnes of rice, 70 percent of its rubber output, 90 percent of coffee and 100 percent of coal output to various countries in the West and ASEAN countries.

Using money as the medium of exchange in the Soviet-Vietnamese trade would be difficult in the foreseeable future as both still lack hard currencies. Most of their bilateral trade will likely be done through barter, but based on international prices.

One ASEAN diplomat said that it would take years before the new business-like relations between the Soviet Union and Vietnam could take root. He said Vietnam would likely remain tied up to the Soviet Union as its economy has not joined the world economic system. Vietnam would need a transitional period with the new form of cooperation with the Soviet Union, especially during the next few years.

Boris Milnik, economic councillor of the Soviet Embassy in Hanoi, made clear that both the Soviet Union and Vietnam must be more forthcoming in their bilateral cooperation for mutual benefits. He said the two countries have to be held responsible for past failures to deliver the full implementation of trade and economic cooperation of 1990.

Milnik reiterated that Vietnam has failed to deliver the pledged 300,000 tonnes of rice to the Soviet Union. Vietnam has delivered only 150,000 tonnes of grain so far.

On the other hand, out of the 106 industrial projects in Vietnam to which Soviet aid was promised, only 85 projects were carried out, Milnik reported. Soviet aid to the remaining projects will be transferred to the 1991 economic assistance package.

Despite the difficulties in Soviet Vietnamese trade and economic cooperation, Soviet assistance will continue to be crucial for Vietnam's economic health—especially in the absence of Western aid because of the US-led economic sanction. No other countries can possibly replace the Soviet Union in helping Vietnam now and in the near future.

Radio Notes Improved SRV-PRC Ties in 1990

*OW0401062391 Hanoi International Service
in Mandarin 1200 GMT 2 Jan 91*

[“Key Article: Working Together to Forge Forward—A Review of Vietnamese-Chinese Relations in 1990”]

[Summary From Poor Reception] “The year 1990 was one which marked a new development in Vietnamese-Chinese relations.” With the relaxation of tension in Asia, relations between the two countries headed toward the right course.

“The highlight of Vietnamese-Chinese relations in 1990 was the official visit to China by General Vo Nguyen Giap, vice chairman of the Vietnamese Council of Ministers, in late September,” and marked a turning point in bilateral relations. “This was the first official visit to China by a high-ranking Vietnamese official” (in many years). General Vo Nguyen Giap is a keen supporter of Vietnamese-Chinese friendship. He was received warmly by the Chinese leaders. During the visit, “the Chinese Government and people expressed their profound friendship for the Vietnamese people, and their hope that the long friendship between the two peoples would be restored soon”. Prior to his departure for home, General Vo Nguyen Giap issued a letter “expressing the hope that the dark clouds over the blue sky of friendship would disappear.”

In addition to the visit by General Vo Nguyen Giap, Vietnamese sportsmen also visited Beijing to participate in the 1990 Asian Games. This also helped advance Vietnamese-Chinese friendship and enhance understanding between the Vietnamese and Chinese peoples.

The visits by General Vo Nguyen Giap and the Vietnamese sportsmen signified that the great obstacle hindering Vietnamese-Chinese friendship has been surmounted.

During the ceremony in May to commemorate the 100th birthday of the great Chairman Ho Chi Minh, Nguyen Van Linh, general secretary of the Central Committee of the Communist Party of Vietnam [CPV], stated that the victory of the Vietnamese revolution was possible because of the unity and support of the peoples of the Soviet Union, China, and other fraternal socialist countries.

"In the past year, there were new developments in friendly relations between the Vietnamese and Chinese peoples along the border region and in economic and trade relations. According to recent reports in the Chinese press, there are currently more than 200 markets along the Vietnamese-Chinese border," in which all sorts of transactions are conducted, and "20 provinces and municipalities are doing business with Vietnam. The Chinese papers argued that Vietnam is a conduit for China to enter the Southeast Asian market, and that Indochina is a big market for China. This market also has the potential to help the economies of the southwestern Chinese Provinces of Guangxi, Yunnan, Sichuan, and Guizhou prosper. The six Vietnamese provinces in the north are rich in resources, and they produce goods that China needs." A leading comrade from China's Guangxi recently said that border trade is providing the impetus for economic development in his area. "We firmly believe that with the normalization of Vietnamese-Chinese relations, official trade and economic relations between the two countries will recover and expand. This is entirely in line with the interests of the peoples of the two countries."

In 1990, the Vietnamese people rescued distressed Chinese ships and seamen at many locations, and Vietnam handed over 25 seamen to China on three occasions. "In a recent article, China's RENMIN RIBAO praised the Vietnamese people's friendship for the Chinese people and the care and hospitality they exhibited toward the distressed Chinese seamen. The peoples of Vietnam and China both harbor the desire for an early restoration of their friendship."

"During a speech in August 1990, Du Muoi, chairman of the Vietnamese Council of Ministers, welcomed Chinese Premier Li Peng's statement in Singapore that China hopes to normalize relations with Vietnam and wishes to resolve all disputes through peaceful negotiations. The CPV draft development program for the socialist transition period, which was released in December, also notes the desire to work for the restoration of friendship and cooperation with the CPC and the People's Republic of China." The breakthrough in Vietnamese-Chinese relations in 1990 was an inspiration for us. "As the Vietnamese people stepped into 1991, they strongly believed that, through the efforts of both sides, the peoples of Vietnam and China would surely overcome the obstacles and normalize bilateral relations as soon as possible. This will enable them to truly live in a peaceful and friendly atmosphere."

Joint Corporation With Hong Kong Inaugurated

BK2612103190 Hanoi Domestic Service in Vietnamese
1430 GMT 24 Dec 90

[Text] The Vietnam-Hong Kong Hanesco-Fiston Joint Development Corporation was inaugurated in Hanoi on 24 December. This is the first joint venture in production business conducted by Vietnamese and foreigners in Hanoi. The Hanesco-Fiston Joint Development Corporation is to produce items for interior decoration as well as construction materials for local consumption.

Both sides agreed to invest initial capital in the amount of \$500,000. Vietnam holds a 49-percent share and the rest is held by Hong Kong. The joint venture will last for 15 years with each side taking turns assuming a five-year term of chairman of the board of management. Mr. (Tansa Ton) from Hong Kong was appointed the first chairman and Mr. Nguyen Thanh Luong from Vietnam as vice chairman of the board of management and manager of the corporation.

It is expected that the corporation will make an annual profit of 25 percent, thus capital will be recovered in about three years. It was agreed that after 15 years, the corporation's factory and production equipment will be transferred to the Vietnamese side. The corporation is situated at No. 22, Hang Bai Street, Hanoi.

Vo Chi Cong Greet's Burma's Independence Day

BK0301155691 Hanoi VNA in English 1456 GMT
3 Jan 91

[Text] Hanoi VNA January 3—State Council President Vo Chi Cong has extended his greetings to General Saw Maung, president of the State Law and Order Restoration Council, on the occasion of the 43rd Independence Day of the Union of Myanmar [Burma].

President Vo Chi Cong expressed his wishes for further consolidation and development of the friendship between the two peoples.

New Romanian Ambassador Presents Credentials

BK0301160091 Hanoi VNA in English 1455 GMT
3 Jan 91

[Text] Hanoi VNA January 3—Cristian Mocame [name as received], ambassador extraordinary and plenipotentiary of Romania, today presented his credentials to Vice President of the State Council Le Quang Dao.

The vice president had a cordial conversation with the Romanian ambassador.

Journalists' Association Holds Forum in Hanoi

BK2912031390 Hanoi Domestic Service in Vietnamese
1100 GMT 28 Dec 90

[Station correspondent Truong Cong Hoa's report on a forum held by the Vietnam Journalists Association in Hanoi on 28 December]

[Summary] This morning, at the Hanoi press center, the Vietnam Journalists Association held a forum to contribute views on the two draft documents of the seventh party congress. Representatives of some veteran journalists attended the forum. "Journalists Thanh Vien, Tran Lam, Quang Dat, Hoang Phong, Hoang Tung, Quang Thai, and Nguyen Duc Muu expressed their views." These party and non-party journalists have consistently and enthusiastically used their pens to participate in building and defending the country in the past few decades, to help detect positive factors in production and social life, and to build socialism in our country.

"Nearly all the expressed views have clearly reflected the party's concern for the people and country when it announced the two draft platforms for socialist construction in the transitional period and the strategy for socioeconomic stabilization and development until the year 2000." Journalist Tran Lam pointed out that in assessing the situation, two periods of socialist construction in the country before and after April 1975 must be distinguished to see that the party is gradually being renovated and that only by doing so can we avoid being pessimistic over the current situation and having a tendency toward negating the party's previous development strategy.

The veteran journalists contributed many specific views to the two draft platforms and suggested that the country's difficulties be pointed out more clearly and the human strategy be emphasized in the platforms. Some others welcomed the platforms for covering the alliance among workers, peasants, and socialist intellectuals, and for stressing national solidarity. They also suggested that the transitional period in Vietnam be presented more clearly for the people to correctly understand whether or not the country should go through the stage of capitalist development, and stressed the need to democratize social life, to administer the country according to law, to improve the people's livelihood, to fight negativism and corruption, and to purify the party.

Southern Party Organizations Hold Conference

BK0301133391 Hanoi Domestic Service in Vietnamese
0500 GMT 3 Jan 91

[Text] Between 26 and 30 December in Ho Chi Minh City, the comrade heads of the party committee organization sections in provinces, cities, and special zones from Thua Thien-Hue and Minh Hai attended a conference on organizational work in the southern provinces.

The delegates were briefed on the basic contents of the draft report on party building work and amendments to the party statutes and on the draft party statutes. This was aimed at seeking a thorough understanding of the need to discuss measures to help party committee echelons provide guidance for party organizations at all levels to contribute their views to various draft documents of the seventh party congress.

The delegates also exchanged experiences in consolidating party efforts against corruption and discussed

guidelines and specific tasks for continuing the campaign to purify party ranks in the days ahead.

Over \$1 Billion in Foreign Investment Reported

BK0301135291 Hanoi Domestic Service in Vietnamese
2300 GMT 2 Jan 91

[Text] According to an article in the December 1990 issue of TAP CHI THUONG MAI dealing with the initial stage of implementation of the law on foreign investment in Vietnam during the past three years, by the end of November, more than 200 investment projects had been licensed with a total capital of nearly \$1.4 billion. Of this, some 85 percent are foreign-invested capital.

173,000 Foreign Tourists to Ho Chi Minh City

BK0301135491 Hanoi VNA in English 0706 GMT
3 Jan 91

[Text] Hanoi VNA Jan. 3—Mr. Skao Emizo, a 67-year old Japanese teacher, the 100,000th guest of the Saigon Tourist Company in 1990, was presented with souvenirs at a ceremony organized at Rex Hotel in Ho Chi Minh City on Monday.

Saigon Tourism also presented gifts to Ms. Hoyer Katja, a German who was the last guest to the city last year and Mr. Delin Giovanni, an Italian whose birthday is on December 13. In 1990, Ho Chi Minh City welcomed more than 173,700 foreign visitors, including 100,000 who came to the city through Saigon Tourism. The total of foreign tourists to the city increased by 20,000 compared with 1989.

Increase in Export of Aquatic Products Reported

BK2612090090 Hanoi VNA in English 0723 GMT
26 Dec 90

[Text] Hanoi VNA Dec. 26—So far this year, the aquatic products industry of Vietnam has netted 1,019 million tons of aquatic products thus earning the export value of 205 million U.S. dollars, up by 17.8 percent over the previous year.

With 174 billion dong (Vietnamese currency) mobilized among people, it has built 1,500 new fishing ships and boats with a total of 35,000 h.p. [horse power] as well as many fish and shrimp farms and processing establishments. The industry plans to increase its export turnover in 1991 by 15 percent over the 1990.

In 1990, the animal food product enterprise (VISSAN) has exported 8,500 tons of meat to the Soviet Union, up by 1,500 tons over the plan.

In 1991, VISSAN plans to increase its export volume by fourfold over 1990 with a total turnover of more than 400 billion dong.

Prices of Gold, U.S. Dollar, Grains Increase

BK2712044490 Hanoi Domestic Service in Vietnamese
2300 GMT 25 Dec 90

[Text] During 22-25 December, the prices of gold and the U.S. dollar changed slightly. In Hanoi and Haiphong Municipalities, the price of gold, 98 percent pure, was 340,000 dong per chi [measuring unit equivalent to 3.75 grams]; in Da Nang, 335,000 dong per chi. The exchange rate of the U.S. dollar was 7,150 dong in Hanoi and Ho Chi Minh City.

The price of food grains is still high in northern provinces. In Hanoi the price of rice is 2,000-2,100 dong per kilogram. In southern provinces the price changes slightly. In central provinces it is 1,500-1,600 dong per kg.

The price of pork is increasing in many localities. The price of T-400 cement is 380 dong per kg in Hanoi; it is 490-500 dong per kg in Dong Nai Province and Ho Chi Minh City. Iron bars for construction work are 2,900-3,000 per kg.

1990 Agricultural Production Nationwide Reported

BK0301131791 Hanoi Domestic Service in Vietnamese
0500 GMT 1 Jan 91

[Text] In 1990, all localities throughout the country planted nearly 9 million hectares of rice and subsidiary and industrial crops, an increase of 17,000 hectares over 1989.

Furthering the achievements of 1990, peasants throughout the country are concentrating efforts on production in a bid to fulfill the plan set for winter-spring rice and subsidiary crops. As of 25 December, all localities throughout the country had planted winter-spring rice on nearly 600,000 hectares, mostly in the Mekong River Delta provinces.

In the next 10 days, the Ministry of Agriculture and Food Industry urges peasants in the north to ensure sufficient humidity for winter rice seedlings and actively protect them against cold weather and insects, while securing water in preparation for the cultivation of spring rice.

The ministry also urges the south to rapidly harvest 10th-month rice, especially in areas infested with brown planthoppers, and quicken the pace of cultivation of winter-spring rice.

Oil, Gas Potential Reviewed; Prospects Outlined

BK0301161191 Hanoi Domestic Service in Vietnamese
2300 GMT 2 Jan 91

[Article by station correspondent Dinh Khai: "Potential and Prospects for Vietnam's Oil Exploitation"]

[Summary] Over 10 years ago, three major foreign oil companies drilled dozens of wells offshore in the Vung Tau-Con Dao Special Zone to find out that only a small deposit of oil and natural gas was available. This caused disappointment to many parties concerned. However, Vietnamese oil specialists and workers continued their work tirelessly. The establishment of the Vietnam-USSR oil and natural gas joint enterprise in 1981 has encouraged these laborers to work more enthusiastically. "The enterprise has persistently carried out its activities for 10 consecutive years, resulting in the formation of an oil and natural gas industry both in the hinterland and offshore at Vung Tau-Con Dao of Vietnam." Thanks to these efforts, the enterprise in 1986 announced its exploitation of the first tonnes of crude oil in the Bach Ho Sea area.

"In 1987 the enterprise found a large oil field with industrial value and in 1988 it found more oil and natural gas fields in the Dai Hung Sea area." During the past several years the enterprise has increasingly exploited more oil and natural gas in the region. "It exploited 41,000 tonnes of crude oil in 1986; 280,000 tonnes in 1987; 680,000 tonnes in 1988; more than 1.5 million tonnes in 1989; and 2.5 million tonnes in 1990, a volume equal to the total amount exploited in the previous four years. On 5 December 1990, the enterprise exploited its 5 millionth tonne of crude oil."

It can be said that during the past several years, with the assistance and cooperation provided by Soviet specialists, the Vietnamese oil and gas workers have made remarkable achievements in the oil and gas exploration and exploitation.

Thus far, the Vietnam-USSR oil and natural gas joint enterprise has set up in the Bach Ho Sea area nine oil rigs and has exploited oil and gas at 40 of the total 60 wells there. It is expected that these wells can produce almost 9,000 tonnes of crude oil per day at their full operation.

With tireless efforts being made by almost 5,000 cadres, workers, and specialists of the Vietnam-USSR oil and natural gas joint enterprise, it is expected that Vietnam's oil and gas future prospects are great. Moreover, Vietnam has also signed agreements with major oil companies from Britain, Holland, Sweden, Canada, Belgium, India, and France to carry out oil and natural gas exploration projects in certain areas with all expenses borne by these countries.

Last year, five foreign companies drilled many wells in Vietnam. Two of them—the French group INTER-AGRA [expansion unknown] and Britain's Enterprise Oil—found oil in southern Vietnam.

With the lopments and achievements in the oil and natural gas exploration and exploitation during the past years, we are convinced that our country's potential in oil and natural gas—especially in the southern continental shelf—is enormous and that our future prospects are great.

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repaid last after all the other loans have been paid back, and since BIS agreed to consider that as capital, too, subordinated bonds were issued in large quantities. However, interest rates had to be set high because loans which were to be paid back the very last would attract few buyers. With rates higher than the prime rate, these bonds were forced upon financial institutions as well as nonlife and life insurance companies.

However, even nonlife and life insurance companies did not have enough funds to subscribe to a large quantity of subordinated bonds. Therefore, though they were reluctant to do this, too, banks sold securities and stocks which they held. This steepened the fall of stock prices from the middle to the end of September.

Liabilities of Securities Industry, Itself

Finally, there is the problem of the business structure of the securities industry, itself, and in particular, its operational posture.

After World War II, when MacArthur opened the stock exchange, he announced three basic rules. The rules were: (1) priority will be placed on futures when orders are received; (2) all transactions will be centralized on the exchange floor; and (3) only spot transactions will be carried out. But of these rules, only the first, priority on orders, is being followed today. Regarding the second, centralization on exchange, securities transactions are now centered in the over-the-counter market and securities transacted on the exchange floor amount to only 2 or 3 percent of the total. Also, even with respect to the third, spot transactions, TOPIX [Tokyo Stock Price Index] and Nikkei futures are now traded openly.

Since the business policy of securities companies is to start transactions with spot commodities, the "buy" recommendation is made in 99 percent of the cases when stocks are urged on customers. Once buying has been recommended to customers, leading officials of securities companies remain perennially bullish and even at this stage, they are saying that blue chips have never dipped to such a low range.

If continued for over 40 years, such bullish talk becomes habitual and even instinctive. Furthermore, fortunately or unfortunately, there is the market truism of a 45-degree steady rise historically so there is a certain confidence that if the bullish talk is continued, there might be a slip at some point along the way but after 2 or 3 years, the upward course will be resumed.

Aggravating such a business position were a number of scandals which occurred immediately before the crash. Daiwa Securities Co.'s problem concerning compensation for losses provoked the issuance of the order to transfer specified operating money to investment consulting companies within 1 year.

If the market happened to be strong, that would be possible but because the market has plunged since January, the specified operating money could not be transferred even if they wanted to. The reason is that since appraisal losses are attached to the specified operating funds, no consulting company wants to take over special money carrying losses. The time limit is the end of this year but I do not think there is any way of dealing with the problem except to postpone it.

Also, the problem of loss compensation for selected large investors incited a revolt of individual investors. They began to realize that they were the only ones taking the risks while large investors were getting good deals so they became disgusted. Actually, investment trust companies should be collecting the money of such small investors and creating an opportunity for an impressive performance but investment trusts, too, have all fallen below par value.

Furthermore, securities companies are presently carrying out enormous capital investments. The four large companies have the reserves to deal with them but the semi-large firms must be having a difficult time. Attempting to catch up with the large companies, they installed computers, built dealing rooms and employed engineers like the large firms. This burden became severe in the September interim settlement and the extremely irrational transactions they are carrying on to finance that are also having adverse effects. [passage omitted]

Bottom Out in Mid-1991?

As for the future outlook, let us first consider the best scenario. First of all, before the U.S. mid-term elections in November, signs of peace emerged in the Gulf crisis with both the United States and Iraq appearing to maintain their honor. If such a situation develops, Japanese stock prices will rise Y4,000 or Y5,000.

Next, there is talk that the October indicators of the U.S. economy will probably register a minus growth. If the October-December quarter is seen as the beginning of a recession, the Federal Reserve Board will probably change its position toward monetary easing.

Third, if the Ministry of Finance gives guidance that since the BIS rule need not be met until the end of FY92, "it is not necessary to hurry so much," the capital demand for subordinated bonds will disappear and stock prices should rise from Y2,000 to Y3,000.

Furthermore, if the official discount rate is lowered by about 1 percent, in conjunction with all the other factors mentioned above, the stock average should probably rise to the Y27,000-Y28,000 level.

However, chances are slim for so many conditions to be met at once. Then, realistically speaking, what kind of scenario is possible?

At the time of the first oil shock, the ceiling was hit in January 1973 and the bottom was touched in September

1974 so the adjustment took about 1 year and 8 months. If the current adjustment proceeds at the same pace, the halfway stage has been barely reached and the bottoming-out might take place around the middle of next year. The liquidation will require a very lengthy period.

This is my personal judgment but when the excess-capital market collapses, there is a precipitous fall and time is required to bottom out. That is because investors are late in getting out and the damages remain. Money can fall sharply on the sole judgment of the central bank. When stocks decline gradually because of poor corporate performances, everyone knows so they can get out but when there is a sudden crash, they fail to flee.

If that is the case, the market should bottom out in October, or if early, by summer of next year, and I think that after that, it will climb very ordinarily at a pace commensurate with improvements in business performances.

In other words, it means that share prices will become rational. Stock prices fluctuate emotionally during sharp rises and steep declines but I think the move will be rational the next time they rise. A market fueled by excess capital doubles in geometric progression but a market dependent on business performances rises step-by-step in an arithmetic series.

Taking the movement at the time of the oil shock as an example, the bottom was hit in September 1974 and the previous high was surpassed in 1978, requiring actually 5 years.

Through such a lengthy adjustment period, the reorganization of Japanese securities companies might also progress. It is said that the large companies have reserves, in general, of 3 years but the depth differs according to the company. Companies saddled with excessive capital investments would be weak so the issue of establishing affiliations might arise during the March settlement period next year.

Also, interestingly enough, the jurisdictional conflict between banks and securities companies should weaken. The banks might begin to feel, "who wants to undertake such risky securities business?"

Thinking calmly, I believe that the current stock price levels of Nippon Telegraph and Telephone Corp. (NTT) represent the true picture. That is, 80 percent of NTT's shareholders are individuals and there are no steadfast stockholders. From 70 to 80 percent of other stocks are held mutually by juridical persons, so prices cannot be lowered without choice. Therefore, the decline has been limited to about 45 percent.

In contrast to the best scenario, the worst scenario might be a situation where Pickens' assertion is supported in the United States and Japan is told, at the 2d-phase of the U.S.-Japan structural conference, to break up the mutual holding of stocks among corporations. If that happens, other stocks would probably nosedive like the

NTT shares. If that is so, in a sense, the mutual holding of stocks will be an issue on which concessions cannot be made, even more so than rice.

In any event, the Middle East problem served only as a trigger for the recent collapse. Looking at the living conditions around us, I do not see any changes in the Japanese economy. However, I think we should have been aware that the market was weak enough for an occurrence like that to knock out the bottom of stock prices.

Securities Executive Views Industry Prospects

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in English 25 Dec 90 p 5—FOR OFFICIAL USE
ONLY

[Interview with Yoshiji Fukushima, president of Nomura Securities Investment Trust Management Co., Ltd.; date of interview not given]

[Text] ASAHI: It's been about a year since the stock market suffered its stunning setback, and still there is no recovery in sight. Last year's securities sales campaign targeting the bonus season was also marked with a conspicuously lackluster performance.

Fukushima: In the present market, it is difficult to guarantee high yields from investment in stocks. Some commodities are even being offered at more than 20 percent below the value of the original investment. We mustn't forget that stocks are market commodities. Sometimes that market is strong, and sometimes it isn't. Considering our performance is about on par with that during the drop in the stock market which occurred in 1965, and given that the current crash is much more severe, this type of performance is unavoidable.

Regardless of the situation, I think the job of the professional stock broker is to help the average investor avoid losing money. At Nomura, we've seen our rate of reinvestment drop from 44 percent at the end of last year, to a current level of around 37 percent. In order to deal with this situation, we are increasing the rate of investment in the short-term money market through instruments such as call loans, which currently offer a high, 8-percent interest rate, and we are seeking to diversify investment opportunities available to our clients through an overseas investment department, for which we completed plans last month.

ASAHI: As securities firms focus on the bonus season, they seem to be promoting low-risk public and corporate bonds and distancing themselves from the uncertainties of the stock market.

Fukushima: All of the securities firms are shifting their emphasis toward bonds. During December of 1989, a total of 3.8 trillion yen were invested in stocks, whereas by October, that figure had plummeted to 900 billion yen. The total asset value of stock investment trusts, which reflects the decreasing investment trends, has also

plunged from 45.5 trillion yen in December 1989, to 36.6 trillion yen in October. On the brighter side, the total value of portfolio liquidation has also decreased, and total capital in the stock market has held steady at about 41.5 trillion yen at the end of October, compared with 41.4 trillion yen last December. The market has by no means contracted.

At Nomura, we feel that we touched bottom on Oct. 1, when the average price of the stocks we were dealing momentarily fell under 20,000 yen. Since then, we have once again been putting increased efforts into trading stocks. This November, we set ourselves specific targets for selling 100 percent stocks passed up since the "Iraq Shock," and succeeded in sales totaling 94 billion yen. We've adopted the same tactic this month and results have been very positive. Although the average investor may still be shying away from any one particular stock, the overall volume of invested capital suggests that appetite for investing in stocks has not decreased.

ASAHI: What are the main factors behind the depressed stock market?

Fukushima: There are two main factors. First, the strong bull market which had existed until last year, had led many companies to excess equity financing. This quickly upset the market's balance between supply and demand. Securities companies eager for commissions also share some of the blame by failing to restrict these undertakings. Second, in an attempt to clear regulations imposed by the Bank of International Settlements, banks which faced decreased latent profits as a result of the stock market crash, flooded the market with common bonds, thus draining funds out of the financial markets. Moreover, these banks soon found themselves in a vicious circle where the excessive issue of common bonds undertaken for the sake of increasing equity capital, forced down the value of stocks, which decreased the value of equity capital, and provoked a further bond issue.

ASAHI: What can be done to help bring about a rally in the stock market?

Fukushima: The dividend payout ratio which fell to 27 percent in 1989, should be raised to at least 40 to 50 percent as it is in Europe and the United States. It is important to demonstrate that stock-holders are highly valued.

It is equally important to revise existing tax laws which subject dividends, which are the corporations redistributed after tax profits, to the personal income tax liability of the individual investor. In places such as the EC, all or a portion of corporate taxes are considered personal income tax paid at the source, thus avoiding double taxation.

ASAHI: What do you see in store for the economy?

Fukushima: With aggregate personal financial assets having reached around 900 trillion yen, I think that consumer spending will remain brisk. Private capital

investment, even if its rate of increase levels off, will remain high. Lastly, the strength of the yen will continue to exert a positive effect on the economy by reducing the cost of natural resources. The Japanese economy may run into a period of adjustment in the first half of next year, but I think that will be followed by a speedy recovery.

Sekimoto's NEC Reform, Business Strategy

902A0055A Tokyo SHUKAN TOYO KEIZAI
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[Article by TOYO KEIZAI reporter, Makoto Yuasa: "Aims of NEC Corporate Reform"]

[Text] In April of this year when the retirement of Nippon Electric Company Ltd.'s (NEC) Chairman of the Board Emeritus Kamoji Kobayashi as chief executive officer was announced, an employee at one electronics firm spoke as follows.

"Even we truly lament the retirement of Mr. Kobayashi. The relationship between Mr. Kobayashi and Mr. Sekimoto (the president of NEC) has not been a smooth one these last two or three years, and this had various negative impacts on management, so we hoped Mr. Kobayashi would hang on for a while longer so that NEC would slip." (laughter) Even so, NEC is something to be reckoned with. Even when the two top officers were in disagreement no ripples reverberated down to the management and rank and file. That's probably due to their strong organization and technology. The management structure is invigorated with the retirement of Mr. Kobayashi, and from here on NEC is going to be something to be feared.

President of the company, Tadahiro Sekimoto, denies that there was a split between himself and Chairman Emeritus Kobayashi. But, President Sekimoto, who became top man in both name and fact at the end of last June, in July, as if he had been waiting for the retirement of Mr. Kobayashi, launched "NEC Super 21" (C21), a total corporate managerial reform looking toward the 21st century.

And, what is the aim of "C21"? President Sekimoto explains it in the following way.

"There are three aims. The first is to create a vision of the advanced information society of 2001, and plan for what NEC should be in that environment, melding in the opinions of our younger staff. The second aim is an invigoration of our organization. The third is to reexamine our structure and plans so that we can react quickly to anything that happens."

Basically, they want to create a long-term vision, and greatly reform their organization so that they can achieve those goals. The present organization and system of NEC was created in company President Kobayashi's era in

1965, when they had ¥70 billion in yearly business, and it no longer matches the present situation which has seen many changes since then.

"Including overseas operations the NEC group has reached the scale of 160,000 employees and the negative effects of being a large organization, such as a dullness in organizational mobility have started to appear. When we think about the future we can say the company has reached another turning point. We have a new corporate symbol, the tower in the new headquarters building, and we are trying to breathe life into it, says director Yoshihiro Suzuki, who heads up "C21."

Because the company did not make up its mind until late, large business deals on computers were grabbed by other firms and they were late in dealing with the problem of the computer war in personal computers.

The occasion of the retirement of Chairman Emeritus Kobayashi as chief executive officer allowed President Sekimoto to take decisive action on corporate reform that he could not undertake previously, and he will probably try to create "an NEC for the Sekimoto era." This large-scale reform will have each department start to examine problem areas by October of this year and settle on various themes, and between then and July 1992 they will successively execute those they have been able to reexamine.

On a Par With IBM by 21st Century

Well then, with the big reform of President Sekimoto as the lever, what kind of corporation is he trying to make of NEC? The long-term plan will be created over a two-year period by "the committee of 100" created for that purpose, and the future image of the company as drawn by President Sekimoto is as follows.

"Our company is tops domestically in semiconductors and communications and we are second in computers. We quickly want to become first in computers too, and want to achieve a domestic grand-slam. And then by the beginning of the 21st century we want to overtake IBM and AT&T on the international level."

NEC's passing Fujitsu to become number one in computers domestically, and its overtaking AT&T is not mathematically impossible. However, IBM's 1989 sales on a consolidated basis was \$62.7 billion, more than 2.5 times that of NEC (6 times, if based on pure profit). If we theorized that IBM's recent five-year average growth rate (6.5 percent) were to continue, then for NEC to catch them in 2001, NEC has to grow at an average of 15 percent per year. Fifteen percent per year is too heavy a burden for NEC.

President Sekimoto recognizes this and explains "I don't mean we will overtake IBM in scale. What I am thinking of is, that as a company that will lead the advanced information society, NEC will be a first-class company in the world electronics industry in the area of quality at the start of the 21st century, like IBM."

"The requirements to become at least that are present in our firm. From here on C&C (an amalgamation of Computer and Communications) are going to become increasingly important. However, IBM excels in computers but is weak in communications. AT&T is strong in communications but weak in computers. On that point our company has the strength to strike an excellent balance in all three fields of computers, communications, and semiconductors. This advantage says something, and NEC can become the leader," (Mr. Sekimoto).

In the world electronics industry NEC is fourth in computers, fifth in communications, and first in semiconductors and NEC is the only company to be within the top six in every area. But, even with this advantage it does not mean it will be easy for NEC to become on a par with AT&T and IBM.

Entering the Age of Miniaturization?

The first problem is in the computer area. Though NEC has a 56-percent share of the domestic personal computer market, a firm position, but with a 15 percent share of the general purpose computer market (installed value basis) it has to be satisfied with a fourth-place position. Especially in the super-size general computer area the walls of IBM and Hitachi are thick and other firms say things like "ACOS (NEC's general computer) is their backup piece." Their large computers are more for the overseas markets where they supply OEM [original equipment manufacturing] equipment for Honeywell Bull, but even including their supply of OEM equipment their world share is only 5 or 6 percent.

Executive Director Akira Kobayashi, (in charge of data processing operations) too, while saying "our company is the top domestic firm for small general purpose computers and second in medium sized machines," admits to a "weakness" in large computers. "As you know by looking at the recently announced ACOS3800, our company's machines are extremely superior in hardware. However, the world of large computers is fairly well allotted by manufacturer through users' huge software accumulations, and it is very difficult to get them to replace their machines with one of ours. We can not win with just superior hardware," he regrets.

Well, what will they do?

"At present the computer world is moving rapidly to distribution and miniaturization. The market for general computers is growing at a 10-percent average annual rate, but compared to that the fields of work stations, office computers, and personal computers are growing at more than 20 percent. Furthermore, users too, are increasingly inclined towards a multi-vendor environment. NEC wants to take advantage of this situation and carve out an even firmer position in the computer market and it is emphasizing the fields of distributed processing and miniaturization. NEC can become the leader domestically in computers within five years" says Executive Director Kobayashi.

Because NEC was weak in general computers, they had to look for a way out through such things as personal and office computers. Furthermore there were also a number of successes on strategic fronts, and in domestic personal computers they have become a giant, Gulliver-like, and this may be a powerful weapon for them in the age of miniaturization and distribution processing.

But, even if distribution processing progresses it does not mean that the importance of general computers will diminish. If society continues to move into the information age, that means the demand will increase for large capacity machines too. Victory only in the field of distribution processing will not mean control of the computer market. While carefully watching the movement toward open systematization, NEC as you might expect, will probably have to make serious efforts, like sweating blood, to pick up large computer users one by one.

Going First With Offshore IC Production

NEC continues to be first in the world in semiconductors. However, in 1989 it was pursued vigorously by number two, Toshiba, and only barely preserved its leadership position. That is because they were beaten by Toshiba in 1-megabit DRAM's [dynamic random access memory] which are the mainstays of memory at present.

Why were they lagging behind Toshiba in 1-megabit chips? Tomihiro Matsumura, managing director (for the semiconductor business group overall), says "NEC suffered for about 30 months around 1985-86 in the slump that centered around 256 kilobit DRAM. There was a time when they were losing ¥100 million a day. Because of that we became negative toward investing in 1-megabit DRAM. Furthermore, because we had a policy of striking a balance of more or less 30 percent in memory, we did not plunge into 1-megabit memory even when conditions were favorable. Toshiba was able to play off of that situation. However, when you see the drop in the 1-megabit market since the last half of last year, balanced operations turn out to have been correct. This year we will open up more space between number two."

However this time, in 4-megabit DRAM which will be the mainstay of memory for the next period, NEC has been overtaken by Hitachi. "Because we debated the two goals of producing chips using a trench or a stack method, we were close to a half-year late in getting started. But in September of last year while keeping an eye on 16-megabit memory also, we decided on a stack method with good performance. Our Shikoku factory dedicated to 4-megabit chips was completed this October and we will not be beaten at the quantity production level," says managing director Matsumura.

The strength of NEC's semiconductors is in their integrated capabilities. But because there are many reverberations for their adoption and for profits when they are

overtaken in main memory. Managing Director Matsumura, too, probably wants to end the discussion without explaining this.

NEC has a 9.5 percent of the world semiconductor market "and we will aim for 10 percent for now," (Mr. Matsumura) but they are being careful not to step on the tiger's tail. NEC recently concluded an affiliation agreement with AT&T on semiconductors. In this way they are looking at cooperation in the communications area for the future and keeping an eye on the United States relationship. Because NEC built integrated factories for semiconductor production in the United States and Great Britain fairly early, though this had been a burden, now compared to Toshiba and others that do not have overseas production, they will be safe.

Because NEC was as strong as it was in another area, communications, it is possible that NEC will be one of the five corporations to survive in the world of the future. But it is a source of worry that they are fairly weak in communications terminals such as telephone equipment where the onslaught of the home electronics manufacturers is severe.

Drastic Measures Necessary in Home Electronics

We can say the same thing about the home electronics (HE) field. Within the NEC Group there was formerly Shin Nihon Denki Co., a lower ranked general home electric appliance manufacturer. But, because its operating performance had dropped to a low level it gradually reduced the size of its home appliance department and shifted to HE and changed its name, and since 1983 has been known as "NEC Home Electronics."

At present NEC places HE as its "fourth sector." The reason being that Ryamuichi Murakami, president of NEC Home Electronics believes that "from here on it will be the era where C&C technology is going to involve individuals and enter the home, and as long as we do not supply good products and service in this field we cannot hope for growth at NEC."

However, even after NEC-HE shifted to HE, the tough going continued, and losses flowed unstopped until last year. "This year will see a flowering of our earlier strategy and PC [personal computer] engines (game machines), parabolas (equipment related to satellite broadcasting), word processors, and personal computers, are in good shape and will become profitable. From here on out we will be actively involved with high density TV and home computers too, says President Murakami.

But, the HE field is still very weak. Even looking at staffing and policy there are numerous doubts as to whether or not NEC itself is putting into it efforts appropriate to a "fourth sector." With NEC-HE having the burden of the background of home appliances that it does, drastic measures are probably necessary for large-scale reform.

Besides this, NEC lags behind compared to other world big businesses in overseas production and has few first rate subsidiaries. NEC will have to deal with these issues if it is going to rank with IBM.

Another major point is the system of succession at the top looking to the 21st century. President Sekimoto, who has been president for 10 years says, "I am thinking about the succession question," but in order not to follow in the footsteps of Chairman Emeritus Kobayashi, how to educate, appoint, and transfer power to the successor will probably be problems.

If NEC can solve these problems, then the dream of President Sekimoto that hinges on the 21st century, may become a reality.

* Capabilities of Corporate Groups Compared

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[Excerpts] If a comparison were to be made of the group powers of the three major general contractors, Shimizu Corp., Kajima Corp. and including Taisei Corp., Taisei would be given the nod at the present stage.

First of all, an enumeration of listed companies within corporate groups is as follows: Shimizu, one (Nippon Doro) and Kajima, zero against Taisei with three companies (Taisei Road Construction, Taisei Prefab Construction and Yuraku Real Estate).

In the case of Taisei, subcontractors such as Miyamoto Corp., Fukui Corp. and Kaneko Corp. are included. But even without the inclusion of these companies, Taisei surpasses the two companies mentioned above in terms of group power. Taisei Prefab maintains an approximately 20-percent share of the middle range highrise concrete prefab industry and is developing into that industry's top corporation. The company's earnings for fiscal 1989 was up by 39 percent and at Taisei Equipment, which handles general equipment, earnings were up by 54.8 percent. Seiwa Lease, which in terms of capital, backs up project proposal type operational activity, is also in sound condition. One of the reasons for the Taisei Group's growth is the contribution on the profits front, by emerging group clusters such as Seiwa Lease and Taisei Create.

With the Kajima Kensetsu Group on the other hand, led by Kajima Doro Road Construction, companies which specialize in basic construction projects and dam construction such as Chemical Graft, Taiko Bussan, Katabami Kogyo are making tracks. Even Azuma Kanko Kaihatsu (Tourism Development), 50 percent capitalization, is contributing, albeit on a modest scale, and has doubled its earnings. The number of up and coming companies is on the increase.

A review of the Shimizu Kensetsu Group indicates significant growth on the part of Nippon Road Construction. In the road paving industry, it ranks third after Maeda Road, and with an upturn in incoming orders, earnings for fiscal 1989 was up by 18 percent over the previous year. Millux, keeping pace with the times in the leasing of material, equipment, and office automation equipment as its main operation, has enjoyed positive results posting a 36 percent growth in earnings. Earnings of the parent company, Shimizu Kensetsu was 94.1 billion yen plus, surpassing by far Taisei Kensetsu's 69.1 billion yen and Kajima Kensetsu's 69.3 billion yen. The Shimizu Kensetsu Group could be described as the Gulliver-type group.

What then is at the root of group capability differential?

Taisei Kensetsu, the group leader, which while adhering to the three fundamentals, "autonomy," "equality," and "reciprocity" as the company's basic structure, was also successful with a plan which established the basic principles of competition. As Yasuo Satomi, Taisei Kensetsu president and commander in chief, states, "Enter a new sector of the market with a positive outlook. The respective companies of the group should cooperate organically, mutually stimulate and compete with one another. This leads to energizing the entire group. The profit making drive also grows...." This type of basic strategy, hand-in-hand with positive incoming orders combined to result in the formation of the construction industry's number one group.

Shimizu and Kajima Kensetsu are also based on similar views. Nevertheless, in terms of actual productivity, both have taken a backseat to the Taisei Group. How will this differential situation play itself out in the future? Shimizu Corp. established a new publicity and promotion company, SC Create at the beginning of the year. It has already entered into a silver (senior citizen)-related enterprise. A space related enterprise is also in the process of development. Shimizu Corp.'s basic strategy is "with construction business as its nucleus, branching out into a wide range of enterprises." Victory lies in just how hard a chase this Shimizu Corp. can give the Taisei Group. [passage omitted]

Toray Industries Versus Asahi Chemical Industry Co., Ltd.

"Consolidated Budget" Also in Place, Integrated Management Progresses at Toray

A review of Asahi and Toray, the two major corporate groups in the textile industry in terms of scale per se, indicates Asahi's dominance. However, as for the ratio of nonconsolidated accounting to consolidated accounting (consolidated/nonconsolidated) in terms of multiples, Toray out performs Asahi in practically every earning category.

In "Project 2001," put forth in 1985, Asahi takes up the subject of group capability build up as an item in its basic policy. As for diversification, it has developed at a rate unrivaled by other companies and in the area of

expansion of related fields, including M&A (corporate acquisitions and mergers), here, too, the posture is aggressive.

For example, last year alone, Toyo Jozo Co., Ltd. (including subsidiary Fukumusume Shuzo Distillery), Kokusai Contact (presently Asahi Kasei Aimee), Australia Hans Continental Small Goods, Toshiba Jutaku Kogyo (Housing Industries), Tensho Denki Kogyo (Electric Industries) (37.4 percent equity), and Myojo Asahi Fresh, were added to the group and excluding the two companies, Tensho Denki and Myojo Asahi Fresh, a consolidated subsidiary was established with the other five.

Of the 1.1766 trillion yen sales volume, the volume of the four divisions, textiles, chemicals, synthetic products, construction material/housing topped 200 billion yen. With Toyo Jozo converted into a consolidated subsidiary, proceeds from the biotech, pharmaceuticals, medical care, and foodstuffs divisions grew from 43.9 billion yen of the previous period to 124.2 billion yen putting it over the 100 billion mark.

However, it is estimated that pharmaceutical-medical care equipment requires "a minimum of 100 billion yen to keep going," so the expansion of this area is one of the tasks that lie ahead.

At Toray, on the other hand, in addition to the advocacy of "united management" by President Katsunosuke Maeda, integrated management of the group is proceeding at a stepped up pace. Affiliated companies which in the past belonged to the respective operations divisions, were brought together in the affiliated operations headquarters, newly established in April of 1988 and the affiliated companies were ranked on an equal footing with the operations department at the head office.

The group was divided into three sections, and associated companies (1) subsidiary companies with an equity ratio exceeding 50 percent and affiliated companies valuable in terms of strategy, (2) those with an equity ratio exceeding 20 percent but less than 50 percent, (3) those with an equity ratio less than 20 percent. Of these, (1) and (2) were positioned as group companies and reflected as such in the consolidated accounts. This is also management which attaches importance to consolidated accounting.

Incidentally, affiliated companies of strategic value which fall under section (1), are, for example, DuPont, Toray, Kebler. Sales in Japan and Southeast Asia of next generation super textiles (Aramid Textiles "Kebler 119") will be handled by a Toray DuPont and DuPont Japan joint venture company. The 50 percent improvement of the disk fatigue factor when used in automobiles as opposed to Aramid Textiles of the past, is something Toray has a keen interest in gaining access to.

Furthermore, the group is divided into four categories, (1) textiles and trade, (2) plastic chemicals, (3) housing and engineering, (4) information and services, and a

group of companies which, as a result of mergers or as corporate customers, cannot be controlled at the whim of Toray directly but are under the direct control of the head office director. Of these, with the exception of the four groups under direct control, executives with overall charge are assigned respectively. The associated operations headquarters also function as a profit center receiving dividend earnings and providing development and research funds (such as wages of head office research staff) on a "success" basis (funding that is provided with the understanding that it is to be paid back when one's ship comes in, as it were) that affiliated companies are unable to take on. According to Company President Maeda, a system is in place whereby "personnel and money are provided but a certain amount of meddling also comes with the territory."

Starting with the March 1990 term, results alone are no longer the sole consideration and "consolidated accounting" has been organized for the first time so that performance and budget are tracked on a monthly basis. In addition, priority items concerned with equipment investment are discussed at Toray's management meetings and decisions made at executive board meetings. Under Toray's strong leadership, integrated management is moving ahead.

Toyota Versus Nissan Versus Honda

Toyota's Offensive Posture "Declaration" Including Diversification

The Toyota Group, with Toyota Motor Corp., Japan's top money maker at the lead, is comprised of exactly 30 companies of enterprises with reported incomes exceeding 2 billion yen. By comparison, at the Nissan Group there are 17 companies aside from Nissan Motor Co., Ltd. and at the Honda Group, four companies in addition to the Honda Motor Corp., Ltd.; the Toyota Group comes out on top in terms of profit capability.

In comparing the scale of the respective groups on the basis of auto production figures for fiscal 1989, it was 3.98 million for Toyota, 90,000 for Hino Motors Ltd., and 610,000 for Daihatsu Motor Co., Ltd. for a total of 4.69 million for the Toyota Group. With the Nissan Group, 2.37 million for Nissan, 510,000 for Fuji Heavy Industries, Ltd., 60,000 for Nissan Diesel Motor Co., Ltd. totaling 2.94 million. For the Honda Group, 1.38 million at Honda Motor Co., Ltd. alone. The ratio is approximately 4: 2: 1. The capability relationship of the respective groups also shapes up to correspond with these figures.

At Toyota and Nissan, with the 1967 liberalization of capital as the turning point for reorganization aimed at reinforcing international competitive capabilities, grouping was advocated and became the framework that has continued to this day.

However, in the case of Toyota, while focusing on the auto enterprise, on the one hand, it expanded its scope by promoting allocation production by the group's

respective companies. Major enterprises in their respective industries such as Nippon Denso, which became the world's top maker of auto electrical parts, Aichi Seiko, top money maker from specialized steel for use in autos, Toyota Tsusho Corp. which succeeded in joining forces with general trading companies by handling related merchandise and material, emerged within the group and resulted in a system of overall integration.

At Nissan, on the other hand, many tie-ups with major businesses outside of the group exist such as the strong link with Hitachi Ltd. for electrical parts, so that in the area of cultivating specialized makers internally, they are a step behind Toyota in comparison.

In terms of diversification, Nissan which boasts a solid record in space aviation, textile machinery and marine products is the leader, followed by Toyota which changed to add such project targets as space aviation, measurement/medical instruments, marine products, leisure, financing and services to its existing housing enterprise. By expanding these non-auto areas, a plan was formulated to build up sales to reflect 6 percent of total earnings to some 600 billion yen in the next five years.

On the other hand, Honda which entered the 4-wheel vehicle field for the first time in 1963, and since it was the last to get involved in the 4-wheel vehicle field structured to procure parts from existing makers for quite some time, the number of major makers within the group is still small.

Furthermore, in order to compete with the respective companies that had a head start, it was also necessary to develop a sales network on its own, and for this reason, with the majority of its sales companies, equity is 100 percent and they are relatively small in scale. However, early on the company promoted motor sports and Susuka Circuitland, which provides facilities for various types of motor sports operations, and it boasts posting earnings that rank it among the top five within the group. Its contribution toward enhancing Honda's image is considerable.

Shin-Nihon Seitetsu Versus NKK Corp.

Result Intensive Electric Furnaces, the Key to Group Power

Of all the major steel maker group enterprises, the rapid development of electric furnaces is significant. With the expansion of domestic demand in recent times, those operations which during earlier structural slump periods were mired in red ink, are resurfacing and there are a considerable number of cases of their having been transformed into high profit companies.

With the NKK Group, Toa Steel has emerged as an entity ranking second to NKK. At the Kawasaki Steel Corp., Daiwa Denki Seitetsu ranks third after Kawatetsu and Kawatetsu Shoji. Similarly at the Sumitomo Metal Industries, Ltd. Group, Yamaguchi Kyoei Kogyo ranks

next to Sumikin (Sumitomo Metal Industries) and at the Shin-Nippon Seitetsu Group, Godo Seitetsu also ranks high.

On the heels of promoting streamlining measures such as cutbacks in the labor force, an upturn in domestic demand has brought on an increase in construction-related demand and widespread price hikes, due to tightened supply and demand has resulted in a sudden surge in earnings.

Under such circumstances, a movement to intensify the group's affiliated electrical furnaces has gathered force. The forerunner of such a movement was Toa Steel of the NKK Group. In October of 1987, Toshin Seiko and Azuma Seiko-jo, NKK Group affiliates, merged to become a prominent electric furnace maker of major proportions. The merger provided the impetus to advance streamlining efforts which in turn coincided with the onset of the current boom in domestic demand. From being the "extra baggage" of the group, it has effectively become the high profit-making company second only to NKK.

Recently, Godo Seitetsu of the Shin-Nittetsu Group is finalizing the acquisition of its affiliate, Funabashi Seiko. Funabashi Seiko was originally affiliated with Kanematsu but in April of 1984, it was placed under the Godo Seitetsu umbrella and restructured. By March 1988 it was able to resume dividend distribution. Its sales volume at the March 1990 term was 42.2 billion yen, its operating profits 10.9 billion yen and it is developing into a high revenue yielding company. The combined total of crude steel production of the two companies amounts to over 2.6 million tons and is the second ranking maker in the industry after Tokyo Seitetsu. Godo Seitetsu's sales volume for the March 1992 term as a result of the merger is estimated to be 160 billion yen, its operating profits 29 billion yen. The merger date is set for 1 April 1991. This Shin-Godo Seitetsu will serve as the core electric furnace maker of the Shin-Nittetsu Group. With this company at the hub, electric furnace intensification at the Shin-Nittetsu Group is expected to move ahead in the future. [passage omitted]

Toshiba Versus Hitachi

Toshiba's Group Strategy Superiority—Will it Succeed in its Pursuit of Hitachi

The principal entity of Toshiba currently finds itself under optimum conditions. Pulled along by its soaring semiconductor enterprise and the growth of computer systems, in terms of a single entity, against Hitachi's sales volume of 3.5252 trillion yen and operating profits of 220.8 billion yen, it is closing the gap at 3.0609 trillion yen and 201.8 billion yen respectively.

However, listed companies within the group number 13 at Toshiba compared with 29 at Hitachi. In terms of reported revenue, while there are 12 companies that exceed 10 billion yen, it is zero for Toshiba. As a result,

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with regard to consolidated sales volume, against Hitachi's 7.0778 trillion yen and net profits of 210.9 billion yen, Toshiba continues to give ground at 4.2520 trillion yen and 131.8 billion yen respectively.

For Toshiba, group reinforcement, has been a problem area that has always been pointed out in comparisons with Hitachi. And at this juncture, this has become the top priority problem. The reason being, according to Fumio Sato, vice president, "For example, computers and software, semiconductors and material are closely related and inseparable. At present the operations structure has become such that if the subsidiary falters, the principal entity is also in peril."

At the beginning of last year, Koichi Aoi, president of Toshiba announced "Reinforcement of the Group" as the central theme for the next 10 years, and concrete measures have been formulated by the staff over the past year and a half with implementation currently under way.

First off, 98 domestic subsidiaries were selected in the order of their respective sales volume for 1998 and categorized into 6 strategic territories. Category No. 1 is the high tech-oriented territory with electronics as its principle item such as semiconductors and computers; No. 2 is the data service territory centered on software; No. 3 is the territory covering the electric machinery industry and renewal with low profitability and requiring structural improvement; No. 4 is the maintenance service sector for No. 3; No. 5 is an area where enterprises with strong independent tendencies are gathered; and territory No. 6 covers service functions such as real estate and insurance.

It goes without saying that No. 1 and No. 2 are the growth areas of the future. By redistributing and prioritizing operational capital, reinforcing enterprises in those categories and at the same time, underscoring the conversion to electronics of those enterprises in areas under No. 3, the objective is to pull them along into the growth categories. The concrete measures toward this end involve "strategic solidarity" with the Toshiba principal entity. While promoting "the first intermediary plan since the union of philosophy and methods with the group," according to Kiyohiko Kasuya, president of Toshiba Ceramics, top priority is being placed on the listing of concrete items of strategic solidarity with the main office.

This is where the difference lies between Hitachi's groupings of subsidiaries with their ample stock as backup and their stabilized management that continue to yield profits. To Hitachi's officers who insist that "a group strategy does not exist for us," the Toshiba officers' response, "Naturally, because it's probably not necessary" is a candid reflection of the difference between the two corporations.

The reinforcement of the group at Toshiba, focusing on enterprise consolidation is designed to be implemented on several levels. The interchange of human resources is

not limited to research and production sites and extends to the general planning headquarters of the strategy proposal division as well. It is the putting into place of networking within the group for the purpose of promoting close cooperation. In terms of capital, of the 420 billion yen Toshiba provided, 70 billion yen was used to improve payment terms to its subsidiaries.

Furthermore, a business ideology common throughout the entire group and standards to be observed regarding conduct applicable to Toshiba employees worldwide were established and such notification sent out in May. This is one explanation for why the group was perceived as a cooperative entity in connection with the Cocom [Coordinating Committee for export controls] case and also served as a background for the heightened awareness of group reinforcement. [passage omitted]

General Trading Companies

Competitive Dynamism Toward a New Offensive

The combined number of consolidated companies (consolidated or subsidiary companies under the equity method), both domestic and overseas, of the 9 major general trading companies finally surpassed the 3,000 mark as of the March 1990 term to reach 3,493 companies, an increase of 572 companies over the previous year.

Particularly notable is the fact that fully consolidated subsidiary companies increased by 361 companies within the past year to total 1,523 companies.

Although this can be partially attributed to the shift from the equity method to consolidation of all companies capitalized by more than 50 percent by Mistubishi Shoji, the primary factors are domestically, within the past 2 to 3 years, the aggressive formation of new subsidiary companies by downstream divisions and divisions that converted to software and service; the converting of the operations sector within a company to branch offices; and overseas, the vigorous efforts made to establish new bases in Asia, Eastern Europe and Europe, etc. In other words, the "winter season" for businesses is a thing of the past, and is proof that the intrinsic competitive dynamism of corporations, that of investment/returns, has entered a new offensive stage.

For starters, at C. Itoh which boasts leadership with regard to the scope of its group with consolidated companies domestically at 373 and overseas 319 for a total of 692 companies, and consistent with its reputation of "domestic demand as its strength," its domestic subsidiaries are its power engines. In reviewing its major profit contributors, they are: 1.9 billion yen by Itoh Chu Seito (Sugar), 1.2 billion by Itoh Chu Kenki; 1 billion yen by Itoh Chu Housing. Notable are the 50 shipping-related companies which a year ago posted a 4 billion yen deficit that switched over to the profit column by 3.6 billion yen and rebounded soundly in earnings.

On the other hand, in terms of net profits based on consolidated accounts, Mitsubishi Corp. with 60.4 billion yen is number one among general trading companies. Shoji's special feature is that its overseas resource firms are profiting and in recent years, favorable profit-yielding industries domestically are also on the increase. As for companies that, despite being applicable under the equity method, very recently succeeded in getting listed on the second market is Nippon Kentucky Fried Chicken and Chukyo Coca Cola Bottling, a listed company. In the fully consolidated company category, there is M.C. Finance a subsidiary financing company, and Mitsubishi Foods, a major food wholesaler which are making significant contributions on the profit front.

On the other hand, in terms of leaders in essential consolidated sales volume, excluding that of bullion sales for currency accumulation, Mitsui and Co., Ltd. would be it. Despite the burden of the liquidation of IJPC completed in the previous period, aggressive investments were kept up and its efforts toward the expansion of group capability are beginning to come to fruition. Furthermore, performance management of the respective divisions within the company has also been achieved on a consolidated basis, and in terms of group management supervision, it is a step ahead of other companies. Its outstanding subsidiaries such as Mitsui Petrochemical Industries, Ltd., Nitto Soko (Warehouse), Mikuni Coca Cola Bottling generate net profits of 1.6 billion to 2.7 billion yen, and its affiliated companies such as Nippon Unisys and Mitsui Lease Jigyō (Enterprises) also contribute significantly as well.

Additionally, there is Sumitomo Shoji which has aggressively adopted measures to strengthen its group in recent years. While the domestic earnings of Sumitomo Corporation's Leasing, Ltd., Sumisho Electronics, Sumisho Computer Business are notable, new strategies such as the taking on of increased capitalization of non-listed subsidiary companies at projected current market prices by the parent company, Sumisho, are being undertaken, and a commitment has already been made to increase capitalization at the market price for the super summit. Thus, subsidiary companies are able to get their hands on ample capital which in turn fuels their performances. The policy is attracting attention such as only Sumisho, with its deep net worth plus profitable financing balance of payments can afford.

Then there is Marubeni, with its consolidated/non-consolidated ratio of the net profit as 2.1, the only company among the 6 major trading companies with a multiple exceeding 2. By designating fiscal 1989 as "Consolidation Year One," and because they "consciously dealt aggressively with amortizing delinquent assets," the results were an upturn in terms of group capability and in the past three years, their consolidated net profits have increased approximately fourfold.

When reviewed in this manner, the policy of reinforcing the group capabilities of the respective general trading companies has begun to bear fruit and the awareness that

"this is it where consolidated management is concerned," is sinking in. Words to the effect that "It is no longer possible to get a read on a corporation by merely focusing on the principal entity. The capability of the group as a whole in terms of its comparative strengths and weaknesses should be the determining factor" increasingly take on significance.

Article Reports on Failed Consumption Tax Talks

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[Editorial Report] According to an article in the 15 December ASAHI SHIMBUN, page 2, the recent talks between the Liberal Democratic Party (LDP) and the four opposition parties on revision of Japan's consumption tax failed because all the parties were unwilling to compromise. Citing statements by leaders of the five parties, ASAHI noted that while agreement was reached "in principle on the need for revision," the parties seem to be following their own political agendas, thereby frustrating any consensus for new tax legislation.

The failure of the negotiations, which ended on 14 December, stemmed in part from the LDP's "consistent refusal to exempt from taxation foodstuffs at all levels," the paper asserted. Figures provided by Tsuruo Yamaguchi, secretary general of the Japan Socialist Party (JSP), projected a tax loss of only 148 billion yen in the LDP bill proposed by its Tax System Reform Committee chairman Mutsuki Kato, compared to more than 1.1 trillion yen that consumers would save by not taxing foodstuffs at the retail level. ASAHI attributes this LDP stand to "a tendency among many in the LDP to accept the present situation" and allow the unpopular consumption tax enacted last year to remain in force indefinitely. Reminded of their campaign pledge to revise the consumption tax, one LDP leader asserted: "We satisfied that promise by bringing up a revision bill in the Diet special session."

According to the paper, the JSP's Yamaguchi believes that "the LDP's intention was to come up with a bill the opposition could not swallow, and thereby let the tax continue as is." His own party, however, is vulnerable to the charge of refusing to compromise so as to maintain the "moral high ground," which served the JSP so well in the last two elections. ASAHI points out that "based on their experience in last year's Upper House elections and the February 1990 general election, in which the JSP scored gains by calling for abolition of the tax, the party probably thought it best with the unified local elections coming up to demonstrate that 'the JSP has not abandoned its plan to abolish the tax.'" ASAHI also noted that the JSP is also open to charges of misusing its new status as leader of the opposition coalition controlling the Diet Upper House, a concern that is also shared by some JSP members. The paper quotes an LDP leader on this point: "Evidence is now available to show how the JSP is evading responsibility under the new conditions in the Diet."

Komeito Policy Board Chairman Nobuaki Futami observed that the talks failed because the LDP would not yield on the food tax issue, and because the JSP resisted legislative remedies connected with retail store operating profits and retailers pocketing tax receipts. In Futami's view, neither party bargained "in earnest." Another Komeito member noted that the LDP did not want to rush into the "tax pocketing problem" by itself. ASAHI notes that since neither the LDP or JSP were able or willing to compromise, Komeito also avoided a firm stand, so that criticisms of LDP and JSP behavior equally apply to Komeito.

Japan Communist Party [JCP] Vice Chairman Mitsuhiro Kaneko expressed his party's view that "if the tax cannot be abolished immediately, it will be necessary to reduce its harmful effects as much as possible." ASAHI notes this statement contradicts longstanding JCP demands for a "zero tax rate" on food, medicines, and items related to social welfare.

ASAHI quotes the conclusion made by Secretary-General Takashi Yonezawa of the Democratic Socialist Party that, confronted with such "political intransigence," the consumption tax "will remain as it is for half of eternity."

Mitsubishi's Financial Unit Flounders

91240072A Tokyo ZAIKAI in Japanese
20 Nov 90 pp 38-41—FOR OFFICIAL USE ONLY

[Article by ZAIKAI reporter, Ko Shimizu]

[Text] Mitsubishi Corporation is known as the most influential of all trading companies. In the mid-term settlement of accounts, major firms have been affected by the slump in finance and in securities, yet Mitsubishi's financial services unit says that the impact has not been all that great. This is said to be due to its solid business practices, but the fact is that for the past several years, the company's number one profitable sector, the financial services unit, has been having trouble making money.

Japan's Number One Debtor Firm

"Mitsubishi has now surpassed Tokyo Electric as Japan's biggest debtor firm. What is more, of the total debt, approximately 4.8 trillion yen or nearly two-thirds is due to financial practices, or financial technology. What will become of it during this period of high interest?"

"Our financial servicing profits have not decreased due to the stock slump. It's mostly due to the inability to do equity financing. Our financial servicing is different from money games which are concerned mainly with the buying and selling of stocks."

The former comment was made by an executive member of a large corporation, and the latter one was made by Managing Director S. Futoda, who employs the Mitsubishi financial unit.

The present condition of high interest rates and falling stock prices has had a significant impact on major securities companies, banks, and manufacturers. The ordinary earnings of some securities companies, especially, have taken a turn toward a deficit, and many firms which turned toward financial servicing got burned.

It is only natural that the financial services units of major trading companies will also suffer damage.

Among them is Mitsubishi Corporation, which, unlike Mitsui & Co. and Sumitomo Corporation, is a trading company with a positive attitude with respect to financial servicing. For the past several years in particular, in the administrative side of the company, the Mitsubishi financial unit has been actively in the lead.

Indeed, Mitsubishi's financial unit has generated a constant profit over the past few years of 20 to 25 billion yen. One can get an idea of just how active the financial services unit has been when one considers the yearly tapering off of dividends from the its LNG [liquefied natural gas] project in Brunei, the company's "money tree."

The reason that it is said that "Mitsubishi's financial servicing is the best among all the trading companies" is because of the company's strategy.

One of the techniques in the financial practices of trading companies is something called interest swap.

An example of this is when the short-term variable interest of commercial papers (CP) is exchanged for long-term fixed interest with a life insurance or a financial agency as the mediator.

Using this method, short-term working funds change to long-term funds several-tenths of a percent lower than the long-term prime rate. Thus, a margin of profit can be earned.

Also, conversely, it is also possible to have a companion financial institution take charge of long-term fixed interest funds such as bonds, and in exchange raise the several-tenths of a percent rate low interest funds from existing short-term interest.

In this system, trading companies can earn several-tenths of a percent in profit margin, and the companion institution can raise long-term funds at a low cost with only a 0.5 percent short-term interest burden.

This technique is presently used by most all trading companies, but the one that originated it was Mitsubishi's financial unit.

At its peak, Mitsubishi Corporation's financial working volume nears the 3 trillion yen mark. This far exceeds that of Sumitomo Shoji's 2.26 trillion yen which mainly sits in the bank as large regular savings, or Mitsui & Co.'s 1.3 trillion yen (each are as of the end of March this year).

Fund procurement by means of convertible debentures, warrant bonds, and commercial papers alone, but especially procurement by CP's amounts to 1.7 trillion yen. There are reasons why such huge amounts of funds are needed for operating costs.

Procurement from CP's is a low cost form of procurement when compared to borrowing from banks, but in the end it is still the same thing as borrowing money to develop financial services technology. This by nature is quite a different sort of thing from Toyota Motors' using its own funds to operate on.

Of course, it is a safe type of operation with the profit margin set at a low level. And when the profit margin is so low, it is naturally important to have huge operating funds in order to obtain substantial interest.

But why did Mitsubishi Corporation get so deeply involved as it has with financial services technology?

Of course, a direct cause was its slowness in coping with the reform in industrial structure which was occasioned by the drop to fifth place in the fiscal 1986 settlement of accounts in addition to the need to cover the decrease by half in dividends from the Brunei LNG project which had been a stable source of income. But the roots of Mitsubishi's present form of financial services extend back over 10 years ago.

It occurred during the 1971 Nixon shock with the revaluation of the yen against the dollar.

This resulted in the collapse of the fixed market with \$1 equaling 360 yen which had been in effect since the end of the war. The yen reached 308 per dollar, and the difference hurt many firms and created quite an uproar throughout Japan.

At this time, Mitsui & Co., Mitsubishi Corporation's rival, made some clever maneuvers. It sent out an order to its overseas branches to "gather up all your dollars," and brought them into Japan to be converted into yen. In effect they avoided the upset caused by the Nixon shock.

Mitsui's action among Japan's industrial world, which had been totally accustomed to the fixed market system, was marvelous.

It is said that Mitsui's operation and financial department members had secretly been formulating their strategy while meeting together in a room in Tokyo's Hotel Okura.

In this way Mitsui made a profit. In other words, it withdrew yen from the Bank of Japan and profited by the change in the exchange rate. The current president of the Bank of Japan, Mr. N. Sasaki grumbled: "We were really taken for a ride by those guys at Mitsui."

Mr. Futoda, presently commercial financial sector leader, was watching the whole chain of events, and this humiliation served as a trigger for Mitsubishi Corporation's expansion and strengthening of its financial strategies.

Mr. Futoda went to Mitsubishi Corporation's office in the United States in 1973. There, progress was being made in the liberalization of finance, and he began refining the original form of Mitsubishi Corporation's present financial techniques with the idea that: "The age of financial liberalization will definitely arrive in Japan too. Until then I will research methods of earning money in finance."

Compared to Mitsubishi Corporation's financial techniques used over the past several years, Mitsui's techniques seem almost tame.

That is to say that among Mitsui's leadership, there is a stronger sense that "earning profit margins by swapping funds obtained by commercial papers is a safe method, but the gross margin is less than 1 percent. Since there is a higher rate of profit to be made from the business unit, we are going to put our money there instead of in financial techniques."

Of course there are those who would say that the real truth is that they are far from being able to put money into financial techniques when they have been having enough difficulty trying to cope with IJPC, which has been in trouble for many years.

Quite different from the cautious Mitsui & Co., Mitsubishi Corporation's President S. Morohashi has put things into clear perspective when there was a need to cover a drop in earnings from the business sector, saying "finance is also a part of business, so it must make a profit."

Thus for the past several years, the financial unit has led Mitsubishi Corporation, but the truth is that high interest coupled with the depressed stock market has made earning money difficult. Mr. Futoda's view is that "we have been able to show a working profit in the financial sector (approximately 15 billion yen) the first half of this year pretty much in line with that of the previous year, but the second half is problematic."

With rising interest rates, the already thin margin is getting thinner and thinner, making earning a margin of profit by swapping short-term funds for long-term funds a difficult method of making money.

Just in order to continue making the same amount of profit means that an even bigger sum in working funds is necessary.

A certain trading company financial unit member says: "No matter how generally low risk, low return it might be, if you lose once in buying and selling credits, it is difficult to ever make up the loss. It is quite a different matter from the company owner-president who can say, even though he loses 10 billion yen in some sort of financial technique, 'I'll make up for it by buying stocks when the price is low.'"

Furthermore, procurement of working funds is getting more difficult.

The environment surrounding money making techniques is severe. As Vice President Sugihara of Nissho Iwai says: "We are not having much progress in converting to warrant debt stocks, and we really wanted to try equity finance one more time, but unfortunately, we couldn't"

On the contrary, not being able to do equity finance has been the greatest shackle for Mitsubishi, which has devoted itself to money making techniques.

"In addition to that," according to Mr. Futoda, "the interest burden is a big factor. We have 1 trillion yen in investment funds and when the interest within the company went up by 3 percent, our interest burden increased by 30 billion yen. Just the interest alone on the investment funds for the M&A of the American chemical company Aristec in the first half of the year cost us between 3 to 4 billion yen."

However, whatever they might say, with the alteration of the articles of association in 1985, Mitsubishi Corporation is the pro of the finance world. Just as others do with stocks, oil, or money, they run the market while watching interest rates.

Concerning the future trends of Mitsubishi Corporation's financial services unit, Mr. Futoda says, "Current long-term interest has stopped rising, and from here on out it will gradually decline while eyeing the actions of the United States. Then our chance will come."

Then it will take the general strategy of "changing borrowed funds to short term, whereupon there will be a shift in operations to long term."

The trading company man can even turn failure into a way to make money. This is the same with the financial unit. This is the ultimate chance for starting long term at a fixed yield.

Today, when we are said to be in the greatest period of financial fluctuation since the war, the top people in charge of the finances of major trading companies describe the situation, saying, "We conduct financial transactions while American securities ask us 'What do you think about the instability in Japan's financial world?' and while the Japanese bank securities are asking us 'Are American banks okay?'" (statement made by a certain trading company head).

Even though close to 3 trillion yen in working funds is not considered to be that big a figure, it is thought that a degree of uncertainty about other firms' credibility is surfacing in some overseas credit transactions.

There is also the possibility that from now on covering a loss in one area by making money from a thin margin of profit in another will become extremely difficult.

In today's tumultuous head winds, unable to escape the extraordinary situation as described above, the true

merit of Mitsubishi Corporation's financial unit, which "utilizes financial technology on an international scale," will be put to the test.

[box, p 41] Mr. S. Futoda, who created Mitsubishi Corporation's financial sector, speaks:

There are many firms that lost money through failures in their financial service technology, but Mitsubishi Corporation's form of financial service technology is different from mere domestic money games and speculation on land and stocks. We use our worldwide network and financial subsidiaries to procure funds at the lowest possible cost, which makes for safe operations. Therefore, we are not influenced by banks or securities.

The financial markets of the United States and Europe are both open, making possible procurement of any amount of funds which can be put into operation. As long as Japan continues to be the creditor nation that it is, there will be progress in liberalization and financial liberation based on a Japanese-U.S. Yen-Dollar Committee. The combinations of different methods of operation and funds procurement will be limitless.

In that context, it is thinkable that there could be a chance of being beaten in the acquisition of proper business funds if, due to an unfavorable economic environment, one is negligent in the pursuit of financial service technology. We must not become conservative financially just because of a stock market shock.

That is why we are urging our financial unit to polish their financial service technology now more than ever.

Admittedly, equity finance is no longer possible, and there is a change in the ability to earn a margin of profit by swapping interest, but contrary to what we have been doing up to now, we can do things like changing long-term interest on borrowed funds to short-term.

As long as the flow toward liberalization in finance does not change, the financial service base will be in international funds procurement and operations. There are various finance techniques, and one must always be in the position to take the offensive.

East Europe Low Priority for Manufacturers

OW2712224390 Tokyo THE JAPAN ECONOMIC JOURNAL in English 5 Jan 91 p 17—FOR OFFICIAL USE ONLY

[By Ai Nakajima]

[Text] The Iron Curtain may have lifted, but for Japanese machine tool manufacturers Eastern Europe remains a forbidding place.

Fearful of inadequate local demand, insufficient reserves of local hard currency, and still stringent COCOM [Coordinating Committee for Multilateral Export Controls] restrictions, most Japanese machine tool makers continue to view Eastern Europe with a wary eye.

"Eastern Europe is in a post-war situation," says Masaharu Iwata, director of Okuma Machinery Works Ltd.'s overseas division. "Even if the European Community's 1992 market integration brings benefits, they may well be offset by the debacle of the Soviet economy." Such fears are not entirely shared by many of Japan's industrial behemoths, attracted by the cheap labor and long term potential of Eastern Europe.

Suzuki, Motor Co. will soon begin producing passenger cars in Hungary. Corp. and C. Itoh & Co. plan to establish a joint venture manufacturing and sales base in Czechoslovakia. In addition, office automation equipment manufacturers such as Sharp Corp., Canon Inc. and Minolta Camera Co. are all setting up footholds in Hungary.

Lack of demand

A major problem, say most Japanese machine tool makers, is the lack of sufficient local demand for their products. Faced with an urgent need for hard currency, most initial investment is being directed into natural resource extraction industries where the immediate Forex payoff is greatest. Only after such investment is exhausted will investors turn to building up consumer goods based industries, and thus machine tools, says Mitsutoshi Tobita, an analyst at James Capel Pacific Ltd. Moreover, even if Japanese manufacturers can find buyers, the shortage of local hard currency makes it particularly difficult for local purchasers to finalize sales.

"Guarantees by banks in Eastern European countries mean virtually nothing without hard currency," says an industrial machinery manager at a major Japanese trading company. "These countries want barter trade, but they don't have tradeable products."

Large Japanese companies face similar problems. However, unlike Japan's relatively small machine tool makers, many of whom operate on slim profit margins, Toyota, Sharp, and other large manufacturers have sufficiently deep pockets to weather years of protracted losses. More importantly, most large Japanese companies are establishing production facilities in the East to take advantage of cheap labor and to export their products to the West. Machine tool makers, most of whom need small numbers of highly-skilled workers, have little to gain from Eastern Europe's cheap, but relatively unskilled labor force.

"Eastern Europe lacks sufficiently skilled workers both to produce and operate our machines," says Kazuo Nakano, managing director of Hamai Co., a mid-sized manufacturer in Tokyo. "If we do make a sale we have to send scarce personnel from Japan to operate the machines. It's just not worth it."

COCOM restrictions

Although Coordinating committee for Multilateral Export Controls restrictions on machine tool exports to the former Eastern Bloc have been relaxed, the

remaining impediments are still substantial, complain many Japanese manufacturers. "We still have to make our machines deliberately poor to meet COCOM requirements," says Teruyuki Yamazaki, president of Yamazaki Mazak Corp.

Machine tool manufacturers have to wade through mounds of paperwork and months of government scrutiny to export just one or two machine tools to the former communist nations. More importantly, say analysts, the bitter memory of Toshiba Machine Co.'s violation of COCOM regulations by exporting high-tech milling machines to the Soviet Union in 1987 still lingers in a Japanese machinery industry reluctant to again attract such notoriety.

Machine tool exports to the communist bloc plunged 61.7 percent from the previous year to 14.3 billion yen in 1987, before dropping further to only 8.2 billion yen in 1989. This year, sales are expected to slide again, after registering 5.5 billion yen for the year as of October. At the same time, total worldwide exports reached 383 billion yen as of October 1990, up 12 percent from the same term in 1989.

The risk of breaking COCOM rules has not been worth the relatively meager payoff, particularly when strong domestic demand has kept most makers operating at full capacity.

"We're completely occupied by supplying domestic customers," says Nakano. "Eastern Europe has always been a low priority."

Eastern Europe, say most analysts, will remain a distant fourth after the U.S., Western Europe, and Southeast Asia in terms of potential markets for Japanese makers.

Still potential

Despite its problems, Eastern Europe has too much potential to be ignored. Yamazaki Mazak, Fanuc Ltd., and other Japanese producers have already set up sales outlets in the region to compete with their German counterparts, most of whom have established joint ventures with, or acquired, former state-owned machine tool makers.

Moreover, as capital spending continues to slow in Japan and the U.S. slips further into recession, Eastern Europe may look more attractive to Japanese manufacturers.

"It's hard for Japanese manufacturers to contract their production after such a long economic boom," says the trading company manager. "Someone needs to take up the slack."

Firms Move To Invest in European Production

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in Japanese 9 Nov 90 Morning Edition p 3—FOR
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[Article by Nikkei Paris correspondent, Fujimaki, with commentary by Marubeni research and information division research officer, Hiromasa Kubo]

[Text] **Hitachi Establishes Production Base in France**

Start with Magnetic Disk Drives—Production to Begin in March 1992

Hitachi Ltd. announced on 8 November that it would start local production of computer-related equipment in France. With an eye on the EC (European Community) market integration in late 1992, the birth of a new Germany and the liberalization of Eastern Europe, the strategy of Japanese enterprises to expand into Europe is gaining momentum. However, as compared with the United States, Europe shows tendencies toward closure and in some sectors, even "reactions to reject Japanese" have appeared. Unstable elements still abound in Eastern Europe. While hastening advancement, Japanese companies are formulating strategies which are taking various factors into consideration.

Hitachi will establish a wholly owned subsidiary, "Hitachi Computer Products (Europe) SA" in the outskirts of Orleans (approximately 130 km south of Paris) in February of next year. The production of large-capacity magnetic disk drives to be used in linkage with general-use supercomputers will commence in April 1992.

Future uses of the plant to manufacture products outside of the data communications field and to conduct research and development are also under consideration and it should become the biggest base for the company in Europe. Hitachi has already set up subsidiaries in the UK and Germany to manufacture household electrical equipment and semiconductors but this is the first subsidiary to be established in France.

The new company's capital is Fr100 million [French francs] (approximately Y2.7 billion) which will be increased to Fr174 million (approximately Y4.7 billion) in 1993. The site covers 728,500 square meters on which an 18,000-square foot plant will be built. Operations will begin in April 1992 with 170 employees. Hitachi's investments total Fr300 million (approximately Y80 billion).

The product to be manufactured is a state-of-the-art device which can replace, without any changes, IBM's "3390" large-capacity magnetic disk drive. At first, only assembly work will be done of components shipped from Japan but eventually, the procurement ratio of local parts will be increased to over 60 percent.

The sales target for FY94 is approximately Y50 billion. The company aims to be in the black in FY95.

As seen in the automobile problem, the image is strong of France as an anti-Japanese hard-liner within the EC, with the exception of Hitachi. France had been a "vacuum area." With this decision to make an inroad, Hitachi will have bases in all of the three big European countries.

In addition to being a country with political clout, France has the merit of becoming the foothold to southern European markets, such as Spain and Italy.

Sales of VTR's and color TV's by the British subsidiary totaled Y25 billion in FY89 and the total sales of household electric equipment and semiconductors in Germany amounted to Y29 billion. In view of the fact that home electric equipment and related products are "mature merchandises," there is a very strong possibility that sales in France will surpass that of the other two countries in 1994.

Eyeing EC Integration and Eastern Europe—Also Considering "Reject Japan Reactions"**Geographical Balance—Responding to Criticisms of "Concentration in UK"**

Japanese companies are paying much greater attention to their geographical strategies in the EC region. There are movements to achieve balance in the countries they are entering, like Hitachi, or to reshuffle or concentrate production items which cross over bases in different countries.

Mitsubishi Motors Corp. is proposing a plan to construct a passenger automobile plant in the Netherlands as a joint venture with the Swedish Volvo Co. This move is probably intended to counter criticisms by French manufacturers and others that, "Japanese automobile plants are overly concentrated in the UK," and to expand areas for inroads.

Toshiba Corp. is manufacturing home electronic products, such as TV's and VTR's, in the UK, Germany and France and establishing production subsidiaries for personal computers and semiconductors in Germany and facsimile machines in France. For home electronic products, plans are to establish a "set-up of one production country for one product." The aim is to concentrate business resources, by products, to heighten competitiveness.

Ripple Effect—From Priority on Finished Goods to Upstream and Peripheral Sectors

Chemical companies are making inroads into Europe as follow-up to plant constructions by automobile and household electrical/electronic products manufacturers. The plan by Kansai Paint Co. to produce automobile paints in a joint venture with DuPont and the arrangement by Daicel Chemical Industries Ltd. to construct a resin plant jointly with Hoechst AG are typical examples.

Increasing entries of not only chemical companies but material and parts manufacturers can be said to be

influenced by plant constructions for automobiles, etc. In contrast to past European inroads which were centered on finished or final products, a new stage has been entered to expand local production to upstream and peripheral sectors.

In the upstream sector, like the tie-up by C. Itoh & Co. and Kawasaki Steel Corp. with large German steel and machinery manufacturers, there are examples of establishing complementary relationships, supported by Japanese technology, with local enterprises to make inroads without posing a threat.

East European Market—From Waiting Watchfully to Taking a Step

Many Japanese companies are still reluctant to enter into Eastern Europe which is still politically unstable and burdened with knotty economic problems. However, as European and U.S. companies decide, one after another, to make inroads, companies which are starting up businesses have begun to appear as though they were taking a step forward from simple watchful waiting.

Kao Corp. is prepared to start exports to the East European market using as a foothold a new company formed by amalgamation of a commercial-use cosmetics firm in the former West German region with a previously state-operated company in former East Germany. Fanuc Ltd. has a joint venture company in Bulgaria for production of CNC (computerized numerical control) apparatuses. At present, this company is in a dormant state but there are plans to prop up this firm in the near future to start businesses in Eastern Europe.

Isuzu Motors is trying to establish a foothold in Eastern Europe by cooperating with General Motors in its plans to expand into Czechoslovakia.

European Reaction Is To Welcome if Not a Threat—Alignment with Continent Will Be Advantageous for UK, Too

European reactions to entry of Japanese enterprises differ according to the country but the basic stance is that "they will be welcomed if they do not threaten our own industries."

Even with France, which is said to be the toughest hard-liner against Japan, statements regarding the inroads of Japanese factories vary greatly: "We are envious of the UK where Japanese companies are entering one after another" (Minister of Industry and Land Management Fauroux); "Factory constructions by Japanese manufacturers should not be approved at all hereafter" (Calvet, chairman of Peugeot SA).

"Basic industries, such as automobiles, would be troublesome but business advancement tied to promotion of regional economies would be greatly welcomed. The reaction is not an unconditional 'no' but a case-by-case response" (the industrial section chief of the French

economic newspaper, LES ECHOS). It is certain, however, that severe anti-Japanese criticisms will continue in strategic sectors, such as automobiles and household electrical appliances.

It is reasonable to assume that the French Government approved the recent entry of Hitachi because it judged that, "there is no competing influential French company and investment frictions will not occur." (Takashi Chiba, chief of Hitachi's overseas business division).

On the other hand, the UK is expected, as heretofore, to strive to welcome Japanese companies by not imposing strict conditions. Even if Japanese companies strengthen their intentions to align with the continent, with an eye on the East European market, the UK should not be too concerned. There is a viewpoint in the UK that instead of having investments converge on it and being looked upon coldly by other European nations, it would be advantageous to have the investments dispersed appropriately.

Also, in such fields as automobiles, household electric equipment, information and communications, etc., because of the advancement of Japanese related parts manufacturers, the industrial base has widened markedly in the UK as compared with other European countries. For this reason, there is the confidence that Japanese investments would not leave the UK suddenly.

Unified Germany, too, has great expectations for Japanese enterprises in order to revitalize the former East German economy. Recently, government leaders, including Chancellor Kohl, have personally called on Japan for investments.

Not only Japanese but practically all of the foreign companies are making inroads into what was East Germany to establish sales outlets, but in order to develop the East European strategy, including in East Germany, investments in the West German region are on an upward trend. At present, Germany, which is an exporting country, is treating the advancement of foreign enterprises, including Japanese, in a relatively open-handed manner. However, concern is being expressed over the encroachment of Japanese companies in the construction machinery sector in which there will be competition with German companies.

As for the EC market unification aimed for late 1992, efforts are proceeding at a rapid pace to integrate various fields, including taxation and industrial policies. While viewing future developments of the EC's external policies, it might also become important for Japan to consider whether advancing into the free-trade camp of the UK and Germany, or instead, striving for entry into France with its powerful political power in the EC, would be more advantageous.

Commentary: As I See It—Need to Watch EC's Labor Policy

Local production by Japanese companies in the EC region should increase noticeably in the future. In that connection, future developments of a unified EC labor policy should be given the greatest attention.

At the EC summit in December of last year, a "Social Labor Charter" was adopted. Based on it, preparations are proceeding to establish unified EC standards, covering nearly

51 items, including minimum wage systems, participation of labor unions in management and safety standards at work sites. Furthermore, there is a movement to establish unified EC company laws. An assessment of the conditions for advancement by Japanese companies into various EC countries shows that low wages are the attraction for entering southern Europe and the relatively weak strength of labor unions was one of the reasons for having entered the UK. Depending on future developments of unified standards, the past strategy for establishing industrial sites might be greatly affected.

Local Production in Europe by Main Japanese Companies (* Denotes "in planning stage")

Company	Products	Corporate Form
(France)		
*Hitachi Ltd.	Computer-related products	Independent
*Mitsubishi Electric Corp.	Automobile telephones	Independent
Toshiba Corp.	Facsimile machines	Joint Venture with French company
Seiko Epson Corp.	Terminal printers	Independent
*Shiseido Co.	Cosmetics	Independent
Sony Corp.	8mm camcorders	Independent
(United Kingdom)		
Seiko Epson Corp.	Personal computers	Independent
Daicel Chemical Industries Ltd.	ABS resin compounds	Joint venture with German company
Toray Industries Inc.	Polyester fibers	Independent(Purchased)
Nissan Motor Co.	Passenger cars	Independent
*Toyota Motor Corp.	Passenger cars	Independent
*Honda Motor Co.	Passenger cars	Joint venture with British company
Matsushita Electric Industrial Co.	TV's/Microwave ovens	Independent
Toshiba Corp.	TV's/Microwave ovens	Independent
Hitachi Ltd.	TV's/Microwave ovens	Independent
(Ireland)		
Yamanouchi Pharmaceutical Co.	Anti-ulcer agents	Independent
*Fujisawa Pharmaceutical Co.	Immuno-control agents	Independent
(Germany)		
Kao Corp.	Cosmetics	Joint venture with German company
*Mitsubishi Electric Corp.	Semiconductors	Independent
Toshiba Corp.	Personal computers/Semiconductors/VTR's	Independent
Hitachi Ltd.	VTR's/TV's	Independent
(Luxembourg)		
Fanuc Ltd.	CNC devices	Joint venture with U.S. company
(Spain)		
*Idemitsu Petrochemical Co.	Polystyrene resins	Joint Venture with Spanish company
Kao Corp.	Floppy disks	Independent
Matsushita Electric Industrial Co.	VTR's	Joint Venture with Spanish company
(Belgium)		
Kanegafuchi Chemical Industry Co.	Automobile and building paints	Joint venture with U.S. company
(Netherlands)		
*Mitsubishi Motors Corp.	Passenger cars	Joint venture with Spanish company

Mongolia**MPRP Publishes Draft Program in UNEN**

OW0301104991 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1000 GMT 3 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 2 January. (OANA-MONT-SAME)—The draft programme of the ruling Mongolian People's Revolutionary Party [MPRP] for the nearest future was published in yesterday's issue of the daily paper "UNEN." The programme outlines the policy and the principles of the activities of the MPRP for the next few years. According to it, the MPRP is a people's democratic party, which will be guided in its activities by ideas of scientific socialism and dialectic materialism. The activities of the MPRP will be directed at defending the interests of the working people, democratization of social life and creation of material and spiritual conditions for ensuring human rights and liberties.

The entire policy of the party will focus on the human being and revelation of all his or her capabilities and resources.

In the field of economy, the party will concentrate its attention to protection of the interests of the working people in the conditions of market relations and multiple forms of ownership.

MPRP's Hongor Meets Soviet Rescue Team

OW2512001790 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1147 GMT 24 Dec 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 24 Dec (OANA-MONTSAME)—O. Hongor, member of the MPRP [Mongolian People's Revolutionary Party] Presidium and secretary of the MPRP Central Committee has received here today members of the rescue group from the Soviet city of Kemerovo who came to Mongolia to take part in rescue

work at the coalmine "Nalayha" near Ulaanbaatar where a few days ago an explosion of fire-damp had killed several miners.

During the meeting O. Hongor expressed deep gratitude to Soviet rescuers for their assistance in liquidation of consequences of the accident and granted them diplomas and souvenirs.

Transmission of USIA TV Channel Begins 1 Jan

OW0201122091 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1000 GMT 2 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 2 January. (OANA-MONT-SAME)—Yesterday, Mongolian TV started transmission of the World Net, the TV channel of the United States Information Agency (USIA). Agreement on transmission of American TV broadcasts to Mongolia was reached last year during the August official visit of USA Secretary of State James Baker to the Mongolian People's Republic.

Prior to the start of transmission of American broadcasts, USA Secretary of State J. Baker made a televised speech addressing the Mongolian people. He said that transmission of American TV broadcasts would assist the development of friendly relations, mutual understanding, and cooperation of the two nations, and give to the Mongols more opportunity to know better the life of the American people. He also noted that the American Administration knew about the difficulties facing Mongolia on its way toward democracy, and would render appropriate assistance to it in establishing a democratic system, as well as Mongolia's transition to a market economy.

The ceremony held on the occasion of the start of transmission of American TV broadcasts to Mongolia was attended by American Ambassador to Mongolia, J. Lake.

American broadcasts will be transmitted to Mongolia every day, 16 hours a week.